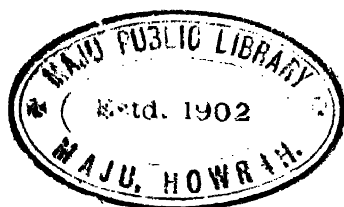


A PRACTICAL SYSTEM OF BOOK-KEEPING

A PRACTICAL SYSTEM OF BOOK-KEEPING

INCLUDING BANK ACCOUNTS

BY

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PREFACE.

It was considered desirable to thoroughly revise Jackson's *Book-keeping*, because the first edition was written seventy-five years ago, and since that time there has been a complete change, not only in the system of book-keeping, but also in the methods of trade; when the first edition appeared there were few, if any, companies in existence, whereas now there are 29,730, with the enormous capital of £1,622,641,416.

The book was a standard work on the subject, because no less than twenty-three editions have been issued.

The author stated "that an elaborate treatise tends rather to perplex than inform the uninitiated, and is, therefore, but ill adapted to the wants of beginners"; in revising this edition the editor has endeavoured simply to give an outline, and especially "to reject all useless repetitions, all unnecessary technicalities, whether of the form, classification or combination of entries".

Book-keeping should always be of a simple character, so that the position of a merchant's affairs can be easily ascertained; this is of great importance in the present day, when it is customary for large undertakings to have their books audited by an accountant.

In accordance with the Companies Act of last year, the auditor is called upon to state that the Balance Sheet is a true and correct statement, and, therefore, the books should be kept in such a manner that no difficulties should arise in the course of his examination.

In order to illustrate the Double Entry System, now universally adopted, a Merchant's Accounts are fully shown; these include joint enterprises as well as the shipment of goods for various purposes.

Of course it is impossible to illustrate what books are required for every particular trade, but when the student has grasped the main principles he will not find it difficult to understand any particular set of accounts.

For example, the books of a limited company would be the same as those of a merchant, except that the number of partners engaged in the business are more numerous, and a special set of books is therefore required showing who are the shareholders in accordance with the Companies' Acts.

A railway company, for example, is only a carrier in a large way of business, whose accounts must be kept in a specified manner, principally to distinguish between capital and revenue.

A complete set of Bank Accounts has been given; it is well known that a portion of the capital of every merchant or manufacturer finds its way in some shape or other into the Banks of this country, and a perfectly clear statement should therefore be given to the public as to the disposal of such capital.

The editor trusts that the book will be of some service to the banking profession, and especially to candidates for the Institute of Bankers' Examinations.

It is somewhat difficult in a large banking institution to see how every entry forms part of the whole system, and for this reason the entries are followed in successive order from the Cash Books to the General Ledger.

A series of Examination Papers and Balance Sheets are appended, which, if carefully studied, will prove of some value to the student.

October, 1901.

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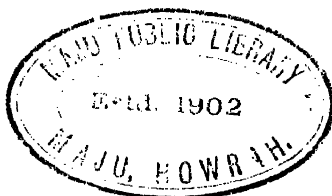
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CHAPTER I.

INTRODUCTION.

BOOK-KEEPING may be defined as a scientific method for recording a true statement of accounts, either of a public or private character, in a systematic manner, so that the results shown can be verified as correct.

The result is obtained by the use of a series of books designed to record the daily transactions in such a manner that the financial position of an individual, firm or public company is easily ascertained by reference to the same. From these books can be obtained a statement indicating whether the business is carried on at a profit or loss, and also showing what are the assets and liabilities.

Assets can be defined as the stock in trade, or entire property of a person or firm after deducting the liabilities; the balance remaining after this deduction has been made is called the net capital.

The assets may be in the form of cash, stock, debts owing on bills of exchange or amounts due from customers; whilst the liabilities may consist of sundry creditors, or bills of exchange given for various purposes. If capital is invested in goods we have the cost and the result obtained by selling the same.

Commercial transactions give rise to accounts designated debtor and creditor; a statement must also be kept of all cash received and paid in the course of such dealings, and the results obtained by the sale of goods are shown in a statement exhibiting the gains and losses.

There are three methods for showing such operations, and they are called respectively:—

Single entry.
Double entry.
The single and double entry combined.

The first method, *viz.*, single entry, only records the entries

relating to business transactions once, and that in an incomplete manner.

The single entry method is however useful for a small retail business, and a book designated the Ledger indicates what is due or owing to the trader.

This system only refers to personal accounts, *viz.*, who are the debtors and creditors of the firm, without reference to the charges and other incidental expenses which form a part of every business. Again there is no effectual check on the various entries made in the books.

If there have been omissions in the charges, there is considerable difficulty in finding out the discrepancies.

The Cash Book shows all the amounts of cash received during a given period, and would be in the following form:—

CASH ACCOUNT.

Dr. Receipts.		£	s.	d.	Cr. Payments.		£	s.	d.
1900.					1900.				
Jan. 1	Carr & Co. . .	1	16	0	Jan. 2	Wages . .	5	0	0
„ 5	F. Jones . .	30	0	0	„ 6	Private Expenses	7	0	0
„ 6					„ 9	Office Furniture	15	0	0
						Balance .	4	16	0
		31	16	0			31	16	0
	Balance .	4	16	0					

From the various entries in the Ledger, a statement can be obtained showing the financial position of the trader at any particular period.

The balances are taken from the Ledger and a Balance Sheet prepared in the following form:—

Liabilities.	£ s. d.	Assets.	£ s. d.
G. Smith . . .	20 0 0	F. Jones . . .	6 0 0
Capital . . .	90 16 0	Cash . . .	4 16 0
		Goods . . .	100 0 0
	£110 16 0		£110 16 0

It will be noticed the value of the trader's stock in trade on hand, *viz.*, £100, is added, and the balance of this account, *viz.*, £90 16s., represents his capital

The books required for the single entry system would be as follows :—

The Day Book.
The Ledger.
The Cash Book.

The Day Book is a statement of goods sold, and also an account of cash received in payment. It would be in the following form :—

January 1, 1900.

Ledger Fo.		£	s.	d.
	Carr & Co., Dr. 36 yards Cotton @ 1/-	1	16	0
	F. Jones, Dr. 120 yards Silk @ 6/-	36	0	0
	Calvin & Co., Dr. 10 yards Tapestry @ 3/-	1	10	0
	G. Smith, Cr. 100 yards Silk bot. @ 4/-	20	0	0
	Carr & Co., Cr. Cash received	1	16	0
	F. Jones, Cash paid	30	0	0

The Ledger records the various entries in the Day Book, and every entry must be carefully posted. The following is an example of the posting from the Day Book into the Ledger :—

CARR & CO.

DR. CR.

Date.	Particulars.	Fo.	Amount.			Date.	Particulars.	Fo.	Amount.		
			£	s.	d.				£	s.	d.
1900. Jan. 1	36 yards Cotton @ 1/- . .		1	16	0	1900. Jan. 2	By Cash . .		1	16	0

The Profit and Loss Account is a statement showing the result of trading for a given period.

It records all the gains on goods sold, and also what are designated

losses, *viz.*, the various charges incurred in carrying on any particular business.

The account would be as follows :—

PROFIT AND LOSS ACCOUNT.

Dr.									Cr.
Losses.					Gains.				
1900.		£	s.	d.			£	s.	d.
Jan. 2	Wages . .	5	0	0		Discounts .	2	0	0
	Private Expenses . .	7	0	0		Commission .	10	0	0
	Rates . .	3	0	0		Goods . .	100	0	0
	Rent . .	30	0	0					
	Capital . .	67	0	0					
		112	0	0			112	0	0

It will be noticed that as the result of trading there has been a net gain of £67, and this sum must be transferred to the trader's Capital Account in the Ledger as follows :—

CAPITAL ACCOUNT.

Dr.									Cr.
1900.		£	s.	d.	1900.		£	s.	d.
Jan. 1	To Cash .	7	0	0	Jan. 1	By Cash .	500	0	0
	Balance .	560	0	0	June 30	Profit & Loss Account .	67	0	0
		567	0	0			567	0	0
						By Balance	560	0	0

The Double Entry System is so called because every transaction is entered twice in the Ledger.

For example, if goods are sold for cash, the Goods Account in the Ledger is credited, and the Cash Account debited. When the totals of all the accounts in the Ledger are taken, they should balance if the entries are correct, and the value of all purchases and sales with the profit or loss realised is easily ascertained.

This is illustrated in the Profit and Loss Account which is an account in the Ledger.

An exact statement of the business is shown by the agreement of two distinct balances, *viz.*, the balance of Capital Account, and the

Balance Sheet or Statement. The latter is not an account, but simply a statement showing the liabilities on the left-hand side of the account and the assets on the right-hand side.

When books are kept on the double entry system the following rule must never be forgotten, *viz.* :—

That every credit entry requires a corresponding debit entry, and *vice versâ*. Thus if I buy goods of Brown & Co. for £100, their account is credited in the Ledger and the account of Goods debited.

Again, if I receive of Brown & Co. £100, their account is credited and Cash Account debited.

The balances of the various accounts must agree, because if I receive £100 from Brown & Co., their account is credited and Cash Account debited, and the debtor and creditor balances of each is £100.

The Ledger accounts are as follows :—

Dr.	BROWN & CO.		Cr.
To Balance . . .	£100	By Goods	£100

Dr.	GOODS ACCOUNT.		Cr.
To Brown & Co. . .	£100	By Balance	£100

Debtor accounts consequently are those which are indebted to the firm, and creditor accounts those to whom the firm is indebted.

Again, what appears to the *debit* side of your Ledger will appear to the *credit* in the books of the person with whom you transact business; this is easily understood if you can imagine yourself to be in the position of your *creditor*.

The receiver of an amount is called the debtor, and the giver of the amount the creditor; for example, I buy goods of Brown & Co. for £100, they are creditors of mine for that amount, and *vice versâ*, if I sell goods to Thomson & Co., they are my debtors for said sum.

The third method may be defined as the double entry system, but without the use of the Journal.

In this system there are two entries for each transaction, but total rather than specific amounts are recorded.

There are only three books required for this system, *viz.* :—

Cash Book.
Day Book.
Ledger.

The various entries in the Cash Book are not all posted in the Ledger, Charges for example being posted in the Day Book. This book is not journalised, and is in reality a Ledger, because it shows cash paid into a Bank, as well as the balance of cash in hand.

The Day Book is a combination of the Journal and Ledger, and is also a Profit and Loss Account, because by deducting the amount of charges, the profit from the business can be ascertained.

The Ledger contains some of the Impersonal Accounts, but excludes Profit and Loss, Charges and Cash.

The Day Book would be in the following form :—

Ledger Folio.	Particulars.		Charges.			Daily Transactions.			Totals		
			£	s.	d.	£	s.	d.	£	s.	d.
	J. M. Brown .	Sundry Work				5	0	0	5	0	0
	Charges . .	Office Salaries	10	0	0						

This book could also show the particulars of goods sold, and also the amounts received for services rendered as follows :—

DAY BOOK.

Total Amount.			Ledger Folio.	Particulars.	Debits for Goods Sold.			Debits for Services Rendered.		
£	s.	d.		Jan. 1.	£	s.	d.	£	s.	d.
				F. Evans, Particulars .	5	0	0			
				W. Jones, Particulars .	2	10	0			
14	10	0		W. Martin . . .				7	0	0
				Jan. 2.						
300	0	0		Sundries . . .	200	0	0	100	0	0
				Sales Account, Creditor	207	10	0			
314	10	0		P. and L., Cr. . .				107	0	0

Again the various charges could be shown in the Bought or Sales Book without the use of a Journal as follows :—

BOUGHT BOOK.

Date.	Goods, Dr.	Quantity Pieces.	Yards.	Charges. Dr.			Fo.						
				£	s.	d.		£	s.	d.	£	s.	d.
1900.													
Jan. 1	To W. Evans . .							200	0	0	200	0	0
	Cash Charges (Cash Book)			10	0	0							
Mar. 31											200	0	0
	To Profit . . .										10	0	0
	Private Ledger .										21	0	0
	To Stock for Balance										231	0	0
	Sales Book on hand							50	0	0	50	0	0

SALES BOOK.

Date.		Quantity Pieces.	Yards.	Charges, Cr.									
				£	s.	d.		£	s.	d.	£	s.	d.
1900.													
Jan. 1	By F. Jones . . (Ledger)							180	0	0	180	0	0
	By F. Jones, Interest . .			1	0	0					180	0	0
											1	0	0
Mar. 31	By Stock on hand carried to Bought Book . . .										50	0	0
											231	0	0

The amount of goods, quantities and charges in both Bought and Sales Books are to be added up and carried forward until the books are balanced.

It may be necessary to use a great number of books, but the final results are shown in one, *viz.*, the Ledger.

Every business requires its own special forms; for example, the accounts of a large railway company would be entirely different to a manufacturing company, or a large co-operative store from that of a Bank; it must, however, be always remembered that books are utilised for the purpose of recording facts, and that in the most simple form as possible.

The aim of book-keeping is to exhibit a true and correct statement of any person's affairs, so that an auditor may be able without difficulty to dissect the various entries made; the books, again, must be kept in such a manner that the final results can be shown in a balance sheet, where the assets and liabilities are recorded in a perfectly intelligible form

CHAPTER II.

THE THREE PRINCIPAL BOOKS OF ACCOUNTS.

WE have described three methods by which a statement can be obtained showing the results of any financial transaction, and have noticed that in the case of single entry certain books are required for recording such transactions; there are, however, three principal books of account which require to be considered separately, because they are indispensable for the system of double entry.

These books are :—

The Journal.
The Cash Book.
The Ledger.

In addition to the above mentioned there are other subsidiary books which are required, but the transactions entered in such books must in some shape or other be recorded in one or more of the principal ones.

The Journal is a daily register of commercial dealings, and the entries are classified in such a manner that they can be transferred into the Ledger; it is in fact a posting medium and simplifies the Ledger entries.

The Journal shows clearly what accounts should be credited or debited in the Ledger, and was originally the Day Book, but this book is now superseded by the Cash, Bought, Sold and Bill Books.

The following form will show how the entries are recorded in the Journal :—

Ledger Fo.	Dr. 1900.		£	s.	d.	£	s.	d. Cr.
	Jan. 1	Cash . . . . Dr.	500	0	0			
		To Stock . . .				500	0	0
	„ 2	Silk . . . . Dr.	100	0	0			
		To Stock . . .				100	0	0
	„ 5	Wool . . . . Dr.	50	0	0			
		To Cash . . .				50	0	0
	„ 15	W. Jones . . . Dr.	20	0	0			
		To Stock . . .				20	0	0
	„ 20	Cash . . . . Dr.	30	0	0			
		To W. Brown . .				30	0	0
	„ 22	House Expenses . Dr.	10	0	0			
		To Cash . . .				10	0	0
	„ 25	Rent . . . . Dr.	20	0	0			
		To Cash . . .				20	0	0
	„ 30	Office Furniture . Dr.	5	0	0			
		To Cash . . .				5	0	0
	„ 31	W. Evans . . . Dr.	20	0	0			
		To Wool . . .				20	0	0
			755	0	0	755	0	0

It will be seen that the book secures the double entry in the Ledger under the respective headings as stated in the Journal, and every entry begins with a debit.

As an Italian teacher, Lucas de Burgo (1495), was the author of a treatise on book-keeping by double entry, it is desirable to show the old method of journalising in comparison with the present system.

ITALIAN JOURNAL.

Folio. Drs.	Folio. Crs.		£	s.	d.	£	s.	d.
		Jan. 1.						
1		Cash—Dr. to Sundries						
	7	To W. Jones	30	0	0			
	9	„ W. Evans	20	0	0	50	0	0
		Jan. 9.						
		Sugar per *Duke*—Dr. to Sundries						
	20	To Freight Account . .	10	0	0			
		„ Lighterage . . .	1	10	0			
						11	10	0
	10	„ W. Smith for Brokerage .				2	10	0
	3	„ Charges Account . .				1	0	0
	6	„ Commission Account .				7	0	0
						22	0	0
		Jan. 20.						
	27	Wines Account—Cr. by Sundries						
16		By W. Brown . . .	30	0	0			
10		Balance . .	10	0	0	40	0	0

MODERN JOURNAL.

Folio.		£	s.	d.	£	s.	d.
	Jan. 1.						
	Cash . . . . . Dr.	50	0	0			
	To W. Jones. . . .				30	0	0
	„ W. Evans . . .				20	0	0
	Jan. 9.						
	Freight per *Duke* . . Dr.	22	0	0			
	To Freight Account,						
	For Freight £10 0 0						
	„ Lighterage 1 10 0				11	10	0
	To W. Smith for Brokerage.				2	10	0
	„ Charges Account . .				1	0	0
	„ Commission Account .				7	0	0
	Jan. 20.						
	W. Brown . . . . . Dr.	30	0	0			
	Balance Account . . .	10	0	0			
	To Wine Account . . .				40	0	0

On comparing the two systems we notice that the Italian method does not separate the debits from the credits; some difficulty is experienced in distinguishing them, and there is also the possibility of the entries being wrongly posted in the Ledger.

Sometimes it is found convenient to use the Journal for a summary of the transactions in the Day Book, and also for the purpose of economising space in the Ledger.

There are, however, two important uses for the Journal which must not be forgotten, and that is for the purpose of opening and closing entries. When a merchant starts a business we assume that he is in possession of certain assets, which we designate as his capital. These assets or effects are shown in the Journal.

At the end of six or twelve months, he wishes to ascertain his profits or losses for that particular period, when the Journal is used for what is known as closing entries.

We will give illustrations of the two forms of entries.

OPENING ENTRIES.

Dr.							Cr.
1900.		£	s.	d.	£	s.	d.
Jan. 1	Bank	800	0	0			
	Cash at Office	52	0	0			
	Goods	300	0	0			
	F. Evans	40	0	0			
	Jones & Co.	20	0	0			
	C. Smith	10	0	0			
	To F. Robinson				50	0	0
	,, Brown & Co.				10	0	0
	,, E. Elkins				36	10	0
	,, A. Scott . . . } ,, Capital Account . }				1,125	10	0
		1,222	0	0	1,222	0	0

From this statement we notice that A. Scott has various assets, amounting to £1,222, but as he owes to sundry persons the sum of £96 10s., the net amount of his capital is £1,125.

CLOSING ENTRIES.

		£	s.	d.	£	s.	d.
1900. June 30	Profit and Loss Account . Dr.	5	15	0			
	To Interest Account . .				5	15	0
	Profit and Loss Account . Dr.	70	15	0			
	To Trade Expenses Account				70	15	0
	Profit and Loss Account . Dr.	50	0	0			
	To Bad Debts Account . .				50	0	0
	Goods Account . . . Dr.	500	0	0			
	To Profit and Loss Account .				500	0	0
	Discount Account . . . Dr.	3	10	0			
	To Profit and Loss Account .				3	10	0
	Profit and Loss Account . Dr.	160	0	0			
	To Capital Account . .				160	0	0
		790	0	0	790	0	0

This statement shows the differences of subsidiary Profit and Loss Accounts, which are transferred to the general Profit and Loss Accounts, and also the transactions on Capital Account, the balance being transferred to the Capital Account.

Errors can be rectified by means of the Journal; for example, if a customer has been debited with £50 instead of £150, the entry would be

W. Jones, Dr. to F. Evans £100.

If a wrong account has been credited, the mistake can easily be rectified by debiting the said account and crediting the correct one by means of a Journal entry.

The Cash Book.

This book is a record of all cash transactions, and may be a Ledger Account; but if kept separately, the balance must be taken into account, or else the Ledger balances would not agree.

The following transactions have occurred during a month:—

1900.		£	s.	d.
Apl. 1	Paid into Bank	400	0	0
,, 6	,, Cash for Cheque Book	0	2	1
,, 10	Sent Jones & Co. Cheque	40	10	0
,, 12	Received Cheque from J. Brown	20	0	0
	Sold Goods for Cash	5	0	0
,, 15	Paid Wages in Cash	15	0	0
,, 20	Received Cheque from E. Robinson	30	15	0
	Paid into Bank	10	5	0
	Sent Jones & Co. Cheque	5	0	0
	Drew Cheque for Cash	3	15	0
,, 31	Paid Rent by Cheque	15	0	0
	,, Gas Co.	2	10	0
	Cash Sales during Month	52	0	0

The entries are posted in the Cash Book as follows :—

CASH BOOK.

Dr. **Cr.**

		Fo.	Office.			Bank.					Fo.	Office.			Bank.		
			£	s.	d.	£	s.	d.				£	s.	d.	£	s.	d.
1900. Apl. 1	To Capital .					400	0	0		By Cheque Book		0	2	1			
	„ J. Brown .					20	0	0		„ Jones & Co.					40	10	0
	„ Goods . .		5	0	0					„ Wages . .		15	0	0			
	„ E. Robinson					30	15	0		„ Goods . .					10	5	0
	„ Bank . .		3	15	0					„ Office . .					3	15	0
	„ Goods . .		52	0	0					„ Rent . .					15	0	0
										„ Gas Co. . .					2	10	0
									Apl. 30	Balance .		45	12	11	378	16	0
			60	15	0	450	15	0				60	15	0	450	15	0
	Balance .		45	12	11	378	15	0									

A subsidiary book is sometimes kept, called the Petty Cash Book, which is a record of disbursements for various expenses which are incidental to every business.

The usual method is known as the imprest system, which means that a certain sum is advanced to the Petty Cash Book keeper, and at the end of a given period, the amount disbursed is refunded to him. By this means the petty cashier is a permanent debtor in the Private Ledger for the sum advanced.

It is usually kept in the following manner :—

PETTY CASH BOOK.

Cash Received.			Date.	Particulars.	Voucher No.	Total Cash Paid.			Analysis of Cash Paid.									Ledger Headings.						Ledger Items.		
									Carriage.			Travelling.			Stationery.			Postages and Telegrams.			Petties.					
£	s.	d.				£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
20	0	0	1900. Jan. 1	To Cash Imprest . .	1																					
				By Foster & Co. . .		0	15	0	0	15																
				,, Telegrams . . .		0	5	0										0	5	0						
				,, Postages . . .		0	10	0										0	10	0						
				,, Evans & Co. . .		5	0	0							5	0	0									
				,, Travelling Expenses .		0	10	0				0	10	0												
				,, Purchases—Oii . .		2	0	0																2	0	0
9	0	0		Monthly Total . .		9	0	0	0	15	0	0	10	0	5	0	0	0	15	0				2	0	0
29	0	0		By Balance . . .		20	0	0																		
						29	0	0																		
20	0	0		To Balance.																						

It will be noticed that Cash Account is debited for all money received, for example; cheque received from E. Robinson, £30 15s. Cash is Debtor, and similarly for all payments Cash Account is credited.

The specimen of a Cash Book shows a separate column for money paid in or drawn from the Bank; this is desirable, because it forms a check on the Bank Pass Book.

When a cheque is drawn for the purpose of obtaining cash, the Bank's account is credited and the amount debited; for example, £3 15s. appears on both sides of the Cash Book.

Another column is sometimes provided in the Cash Book for sums received or allowed as discount, but the amount actually received or paid must be entered in the cash received or paid columns.

The balance of the Discount Account must be carried to the Profit and Loss Account.

The Cash Book on the opposite page has the necessary columns ruled for Discount transactions.

CASH.

Date.	Account and Particulars.	Voucher No.	Ledger Folio.	Discount. £ s. d.	Cash. Details. £ s. d.	Cash. Total. £ s. d.
1900. Jan. 1	To Capital Account					200 0 0
,, 5	,, W. Evans .					50 0 0
,, 7	,, Bills Receivable, No. 5 Discounted .			1 10 0	150 0 0	
	,, W. Brown .			5 0 0	200 0 0	350 0 0
,, 15	,, Cash Sales .					200 0 0
				6 10 0		800 0 0
Feb. 1	,, Balance . .					513 0 0

CONTRA.

Date.	Account and Particulars.	Voucher No.	Ledger Folio.	Discount. £ s. d.	Cash. Details. £ s. d.	Cash. Totals. £ s. d.
1900. Jan. 1	By W. Wilson .			1 0 0	19 0 0	
	,, R. Jones . .			2 0 0	48 0 0	67 0 0
,, 15	,, By Bills Payable, No. 6 .					200 0 0
,, 20	,, Rates . .					10 0 0
,, 31	,, Petty Cash .					10 0 0
	,, Balance . .					513 0 0
				3 0 0		800 0 0

The Cash Book is an important one when the accounts of a charitable institution are recorded, and for that purpose it is desirable to sub-divide it as follows:—

(1) Petty Cash Book.
(2) Daily Cash Book.
(3) Monthly Abstract.

The Daily Cash Book can be used to analyse the various amounts received and credited to the Institution Account, and also to show the expenditure in a similar manner. The accounts at the end of a given period would be as follows:—

INSTITUTION ACCOUNT.

Dr.		Cr.	
To Investments	£1,000	By Balance	£100
,, Current Expenses	5,000	,, Bequests	1,500
,, Balance	5,600	,, Income	10,000
	£11,600		£11,600
		By Balance.	

In connection with the Cash Account, it is sometimes necessary to prepare what is known as a reconciliation statement; because, when a certain number of cheques are drawn, they might not be presented for payment. When this happens the Bank and the Cash Account do not agree. For example:—

Balance in Bank Book	£500
Less Cheques not Presented for Payment	50
Balance of Cash Book	£450

The same thing happens when cheques have not been paid into the account of the Bank, but it is desirable that all cheques should be presented for payment within twenty-four hours from the time when they are received.

THE LEDGER.

The Ledger is the book which records all the various accounts either personal or impersonal, and from the same can be obtained a complete statement of the financial position of any firm, company or individual, providing all the entries have been properly made.

The Ledger is generally ruled as follows :—

DR. W. EVANS. CR.

Date.	Particulars.	Fo.	Amount.			Date.	Particulars.	Fo.	Amount.		
			£	s.	d.				£	s.	d.

In order to show monthly totals it is desirable to have double money columns, so that at the end of each month the total of the inner column can be carried to the outer one, as follows :—

WILLIAM JONES.

DR. CR.

Date.	Particulars.	Fo.	Amount.						Date.	Particulars.	Fo.	Amount.					
			Details.			Totals.						Details.			Totals.		
1900.			£	s.	d.	£	s.	d.	1900.			£	s.	d.	£	s.	d.
Jan. 1	To Goods .	1	15	0	0				Jan. 1	By Cash .		20	0	0			
,, 15	,, ,, .	7	20	0	0					,, Returns . .		10	0	0			
,, 31	,, ,, .	20	10	0	0					,, Discount		2	0	0			
			—	—	—	45	0	0				—	—	—	32	0	0

The accounts in the Ledger consist of a series of debtor and creditor statements; thus, if goods are purchased from Wm. Evans for £100 he is a creditor, and the necessary entry is made in the Ledger.

In order to condense the entries in the Ledger, the Journal is utilised, so that the totals of certain accounts are only carried into the same.

A series of Ledgers may be utilised for the purpose of a large business ; for example, we might have a Bought Ledger, which would be the record of all goods purchased, and also a Sold Ledger, or all accounts of goods sold.

At the end of the half-year, if all the entries have been correctly posted, it will be found that the totals of the debit entries will agree with the totals of the credit entries.

It is advantageous to post, or enter, daily from the Journal or Day Book into the Ledger, because possibly the necessary entries may be forgotten; again, the entries should be as full as possible, in order to avoid reference to the Journal.

When the entries are made from the Day Book or Journal into the Ledger, it is usual to insert the number of the page or folio of the latter in the column provided for the same; this is done in order to show that the entries have been actually posted from one book into the other.

We have already stated that the Ledgers might be divided into the Bought and Sales Ledgers, and at the end of a given period they are balanced against the totals of subsidiary books, which will be described.

For example, the sales during the month may be £1,500, and there are various amounts to be deducted as follows:—

		£1,500
Goods returned	£100	
Cash received from Debtors as per Cash Book	300	
Discounts as per Cash Book	20	
Bills Receivable	100	
		520
Balance of Sales Ledger		£980

The Cash Book may be treated as a Subsidiary Ledger if the monthly totals are passed through by means of a Journal entry, and the totals carried into the Private or General Ledger as follows:—

		£	s.	d.	£	s.	d.
Messrs. Jones & Co. . . . Dr.		1,000	0	0			
To Cash— Paid in during the Month .					1,000	0	0
Cash . . . . . . Dr.		800	0	0			
To Messrs. Jones & Co.— Cash drawn during the Month .					800	0	0

Ledger Accounts may be divided into Personal and Impersonal Accounts; with regard to the latter we have Real Accounts relating to Capital, and Nominal Accounts, such as Revenue and Profit and Loss Accounts.

CHAPTER III.

SUBSIDIARY BOOKS.

In addition to the three principal books in which all commercial transactions must in some form or other be recorded, it is necessary in large trading or manufacturing concerns to have subsidiary books in order to show the daily transactions.

For example, it is not convenient to record every transaction minutely in the Journal when the daily transactions are large, but, if required, they can be summarised at the end of the day.

Goods purchased are entered in an Invoice or Bought Book, and is a record of goods bought on credit; the Invoices, which give full particulars of the goods bought, are usually kept in a separate book, and the totals only shown in the Bought Book, as follows :—

BOUGHT BOOK.

Ledger Folio.	No. of Invoice.			£	s.	d.	£	s.	d.
		January 1, 1900. F. Scott, 150 yards Silk @ . .	2s.				15	0	0
		W. Evans, 200 yards Cotton @ .	6d.				5	0	0
		J. Brown, 10 yards Linen @ . .	6d.				0	5	0
		C. Gray, 200 yards Wool @ . .	3d.				2	10	0
		Goods Account . Dr.					22	15	0

When this book is used it is only necessary to journalise the total of the day's transactions, and only one entry to the Goods Account in the Ledger is required.

In a similar manner a subsidiary book is utilised for goods sold, and is sometimes designated as the Day Book, although this is an incorrect term.

The various entries must be posted from the Sales Book to the Ledger, and this book being a record of goods sold to your customers, the amounts are debited to their accounts.

SALES BOOK.

Ledger Folio.	Invoice No.			£	s.	d.	£	s.	d.
		January 1, 1900.							
		W. Hicks,							
		5 yards Silk @ 3/- .		0	15	0			
		10 ,, Velvet @ 5/- .		2	10	0	3	5	0
		R. Gordon,							
		20 yards Wool @ 6d. .					0	10	0
		E. Nevill,							
		15 yards Wool @ 6d. .		0	7	6			
		20 ,, Velvet @ 5/- .		5	0	0	5	7	6
		Goods Account . Cr.					9	2	6

It is sometimes desirable to classify the goods sold according to their respective names, when there are separate accounts opened in the Ledger for the same.

For example, silk, wool and velvet might be separate accounts in the Ledger, and, therefore, the tabular form of the Sales Book is necessary.

SALES BOOK.

Ledger Folio.	Invoice No.			Total.			Silk.			Wool.			Velvet.		
				£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
		January 1, 1900. W. Hicks,													
		5 yards Silk @ 2/6. .		0	12	6	0	12	6						
		10 ,, Velvet @ 3/- .		1	10	0							1	10	0
		R. Gordon,													
		20 yards Wool @ 6d. .		0	10	0				0	10	0			
		E. Nevill,													
		15 yards Wool @ 6d. .		0	7	6				0	7	6			
		20 ,, Velvet @ 5/- .		5	0	0							5	0	0
		Silk Account . . Cr.					0	12	6						
		Wool ,, . . ,,								0	17	6			
		Velvet ,, . . ,,											6	10	0

We have already described the Petty Cash Book which is subsidiary to the General Cash Book, and as there is a column for Ledger items, the entries can be made direct to the Ledger from this book.

It might, however, be necessary to have additional books to record particular transactions, in fact every business requires special treatment in the form of its accounts. For example, the book-keeping of a large railway company would be entirely different from a mining company. Again, the books of a large bank are entirely different from those of a colliery proprietor.

With regard to a manufacturer, a *Stock Book* is sometimes kept, which is a record of goods bought and sold. Particulars of the transactions are carefully stated, so that a merchant in selling goods can easily ascertain whether a margin of profit exists between the buying and selling prices.

A *Warehouse Book* would contain particulars of manufactured articles stored in a warehouse. On one side would be stated the goods received, and on the other what goods had been delivered. Thus, a manufacturer could see at once the balance of goods on hand.

The following are examples of a manufacturer's books:—

RAW MATERIAL.

Date.	Purchases.	cwt.	qrs.	lb.	Date.	How Disposed of.	cwt.	qrs.	lb.	Pieces.	Numbers.
1900. Jan. 1	To Balance	2	1	6	1900. Jan. 5	By Manufactory . . .	1	3	5	20	1-20
,, 9	,, W. Jones	3	2	14	,, 10	,, ,, . . .	2	1	20	30	21-30
,, 18	,, S. Brown	6	1	10	,, 15	,, ,, . . .	5	2	10	40	31-90
,, 31	,, W. Smith	4	3	5			9	3	7	90	1-90
		17	0	7	,, 31	,, Waste	0	2	5		
						Balance . . .	6	2	23		
Feb. 1	Balance	6	2	23			17	0	7		

MANUFACTORY.

Date.	In.	Total No. of Pieces.	Cloth. A	Cloth. B	Cloth. C	Nos.	Date.	Out.	Total No. of Pieces.	Cloth. A	Cloth. B	Cloth. C
1900. Jan. 1	To Balance in Process . .	120	30	40	50	1-120	1900. Jan. 4	By Merchandise . . .	120	60	30	30
,, 5	,, Wool	200	40	60	100	121-320	,, 10	,, ,, . . .	100	20	40	40
,, 10	,, ,, ...	100	20	30	50	321-420	,, 20	,, ,, . . .	300	30	20	180
,, 20	,, ,, ...	300	50	10	240	421-720			520	110	90	250
		720	140	140	440		,, 31	Balance . . .	200	30	50	190
Feb. 1	Balance	200	30	50	190				720	140	140	440

MERCHANDISE.

Date.	From Factory.	Total.	A	B	C	Date.	Sales.	Total.	A	B	C
1900. Jan. 1	To Balance	200	100	20	80	1900. Jan. 10	By Jones	50	20	10	20
,, 5	,, Manufactory	100	20	40	40	,, 15	,, Simpson	100	20	40	40
,, 10	,, ,, ...	300	80	120	100	,, 20	,, Smith	300	120	60	120
,, 20	,, ,, ...	200	20	40	140			450	160	110	180
		800	220	220	360	,, 31	Balance . .	350	60	110	180
Feb. 1	Balance	350	60	110	180			800	220	220	360

An *Order Book* is simply used for the purpose of recording the daily orders received, with full particulars of such transactions.

Where a large number of men are employed in a factory, it is necessary to keep a strict account of wages paid.

This book may be in the following form, *viz.*:—

WAGES BOOK.

No.	Name.	No. of Hours.	Rate.	Amount.		
			d.	£	s.	d.
1	W. Smith	40	6	1	0	0
2	T. Brown	54	8	1	16	0
3	J. Pearse	30	9	1	2	6
4	J. Stephens	54	6	1	7	0

In connection with a Wages Book it is sometimes necessary to show whether the work done by each workman is equal to the amount paid him; for example, a *Costs Book* is kept which records the cost of labour on the goods produced.

When a contract is accepted by a manufacturer certain prices are taken as a basis for the work, and when executed the Costs Book would show whether the expenditure on wages, etc., exceeds the amount allowed for that particular contract.

In addition to the Sales Day Book and the Invoice Book two other books are occasionally utilised, *viz.*, Returns Book Inwards and Returns Book Outwards; the former represents goods returned for which customers are credited, and the latter is for the purpose of recording goods returned by the manufacturer. It is of the same character as the Invoice Book, but the entries are reversed.

CHAPTER IV.

CAPITAL AND GOODS ACCOUNTS

CAPITAL.

CAPITAL is defined "as the result of labour and abstinence, and consists of all wealth which is destined to be employed productively".[1]

As we are only concerned with capital employed for mercantile pursuits, it is not necessary to consider other forms. For example, a manufacturer requires buildings in order to produce various goods, and consequently a part of his capital is sunk in purchasing land and erecting the necessary premises; again, machinery may be required, and which must be purchased. The raw material, in the shape of iron, wool, or silk, must be obtained, so that cash which a manufacturer may have possibly deposited in a Bank is now represented by buildings, machinery and goods; he has in fact converted his capital into other forms, and at this stage no actual loss has occurred.

When a person starts a business it is usual for him to have some capital in some shape or other in order to commence business so as to pay for goods purchased, and upon which he hopes to realise a profit.

For example, John Tompkins starts business with £1,000, and he therefore opens an account in the Ledger, "John Tompkins' Capital Account," and that account must be credited with £1,000—the business in fact owes him that amount. In the course of his business he pays cash for goods sold, and therefore it is necessary for him to keep a cash account, which has been already described. Instead,

[1] Marshall's *Economics of Industry*.

however, of receiving cash a customer sends him a bill of exchange, payable say at three months after date. In order to show these transactions, it is desirable to have a complete record of such credit documents. Again, he finds it convenient to give a bill of exchange, payable at a fixed date, for goods purchased, which must be paid by him at maturity, and therefore a record must be kept of the transaction.

In order to show what profit is made, another account must be kept of goods or merchandise bought or sold whilst carrying on his business.

The statement of John Tompkins' financial position may be shown as follows :—

JOHN TOMPKINS.

	Liabilities.		Assets.	
1900.				
Jan. 1.	Capital	£1,000	Cash in Hand	£200
	Bills Payable	100	Bills Receivable	100
	Robinson & Co	200	Goods	1,000
	Jones & Co.	100	Green & Co.	50
			J. Lewis	50
		£1,400		£1,400

It will be seen from the above that there is owing to John Tompkins

	£1,400
Less amount due from him	400
	£1,000

and therefore his net capital is £1,000.

We have already noticed that instead of receiving or paying cash for goods sold or purchased, credit documents, designated bills of exchange, are utilised. The following is the usual form of a bill :—

1st *January*, 1900.

Three months after date I promise to pay G. Thomas & Co. five hundred pounds for value received.

J. TOMPKINS.

It is customary to have a complete account of such documents in special books, as follows :—

BILLS PAYABLE.

Ledger Folio.	No.	When Accepted.	By Whom Drawn.	Place.	To Whom Payable.	On Whose Account.	Date.	Term.	Due.	Amount. £	s.	d.	To Whom Paid.
		1900.					1900.						
4	1	Jan. 2	J. Jones	London	Self	Drawer	Jan. 1	1 month	Feb. 4	50	0	0	
5	2	„ 5	H. Brown	Plymouth	Self	„	„ 4	2 months	Mch. 7	100	0	0	
6	3	„ 7	W. Smith	Lincoln	W. Robinson	„	„ 6	3 „	Apl. 9	20	0	0	
7	4	„ 15	F. Evans	Liverpool	Self	„	„ 13	1 month	Feb. 16	300	0	0	

BILLS RECEIVABLE.

Ledger Folio.	No.	When Received.	Of Whom Received.	By Whom Drawn.	On Whom Drawn.	To Whom Payable.	Where Payable.	Date.	Term.	Due.	Amount. £	s.	d.	How Disposed of.
		1900.						1900.						
5	1	Jan. 6	W. Jones	Himself	Evans & Co.	Selves	Glasgow	Jan. 1	2 months	Mch. 9	300	0	0	
9	2	„ 10	T. Smith	„	Promissory Note	„	Manchester	„ 5	3 „	Apl. 13	500	0	0	
20	3	„ 17	W. Jenkins	Selves	Self	„	Liverpool	„ 12	6 „	July 20	100	0	0	
											900	0	0	

When an acceptance is given the entry would be as follows :—

J. Jones	Dr. £50	
To Bills Payable . . .		£50

When paid the transaction would be shown as follows :—

Bills Payable	Dr. £50	
To Bank		£50

If a bill is renewed, the old one is cancelled, and a new one drawn, with possibly the accrued interest added. For example :—

Bills Receivable	Dr. £820	
To Bills Receivable . .		£800
,, Interest and Discount .		20

Documents known as Accommodation Bills are sometimes used for the purpose of being discounted for the benefit of a third party, although no consideration has been given for the same; for example, J. Brown wants cash, and he gets Evans & Co. to draw upon him for £500, and enters the same as a Bill Payable; after accepting the same he sends it to W. Robinson, in order to liquidate the debt due from Evans & Co.

J. Brown enters it as a Bill Receivable, crediting Evans & Co. for £500, and debits W. Robinson to Bills Receivable.

If, however, an account called Accepting Account had been opened, the transaction could be as follows :—

Bills Receivable	Dr. £500	
To Evans & Co. . . .		£500

When paid :—

Cash	Dr. £500	
To Bills Receivable . .		£500

The account of Bills Receivable is debited to those persons from whom bills are received, and whose accounts are therefore credited, as follows :—

Bills Receivable	Dr. £100	
To John Jones . . .		£100

When the bill is paid the Journal entry would be as follows :—

Cash	Dr. £100	
To Bills Receivable . .		£100

If goods are sold to a person with whom there may not be

any other dealings, and a bill received for the amount, the transaction would be as follows :—

Bills Receivable . . .	Dr. £100	
To Goods		£100

If a bill is dishonoured and returned, the account of the person from whom it was received must be debited, and cash account credited; a list of bills on hand should be made out monthly, and checked with the entries in the Bills Receivable Book.

When bills are returned unpaid, the charges for presentation by a notary may be paid from the Petty Cash Book, unless presented by a banker, who will debit for the amount of the charges.

Bills must be presented for payment on their due date, three days' grace being added. For example : A bill drawn on 1st January, payable at month's date, would be due 4th February; for those drawn on demand or at sight no days of grace are allowed.

Instead of opening a Ledger Account for Bills Receivable and Payable, the Bill Book may be in the following form, and would then show the transactions as follows :—

BILLS RECEIVABLE.

Dr. Cr.

When Received.	To the Credit of.	Where Drawn.	Date.	In Whose Favour.	On Whom Drawn and Where.	At	Due.	Fo. Cr.	Amount.			Date.	To the Debit of.	Fo.	Amount.		
									£	s.	d.				£	s.	d.

BILLS PAYABLE.

Dr. Cr.

When Paid.	By Whom.	Fo.	Amount.			When Accepted.	To Debit of.	In Whose Favour.	Date.	At	Due.	Ledger Fo.	Amount.		
			£	s.	d.								£	s.	d.

At stated periods it is necessary to take a list of bills on hand, which must be compared with the bills themselves, and the balance must agree with the amount *not* written off on the credit side of the Bill Book, and which constitutes the balance of Bills Receivable on hand.

The debit side can always be added up, and when the credit accounts are entered the totals should correspond in amount.

Sometimes a Bill Journal is kept of all bills paid away or discounted, and the credit side of the Bill Book is posted from this, as follows :—

BILL JOURNAL.

December, 1900.

£	s.	d.	Folio.	1900.		Bill Book Fo.	£	s.	d.	£	s. d
					Evans & Co.						
					Due.						
				Dec. 1	On Glyn & Co., Jan. 4, 1901	32	100	0	0		
					,, Lon. & County, Feb. 4, ,,		250	0	0		
350	0	0								350	0 0
					W. Brown & Co.						
					On F. Jones, March 3, 1901		600	0	0		
					,, W. Thomas, Apl. 5, ,,		700	0	0		
										1,350	0 0
					Carried to Ledger Folio					1,700	0 0

When the transactions on bills are large, it is usual to abbreviate the terms Bills Receivable and Bills Payable by using the initial letters only, *viz.*, B.R. and B.P.

GOODS.

We have already noticed that capital is an account showing what has been invested in a business, whether in the shape of cash, stock or any kind of property; if, however, a part of this capital is utilised in the purchase of goods, it is necessary to open an account in the Ledger designated Goods Account; for example, £500 is invested in goods, Cash Account would be credited and Goods Account debited for the same; instead of cash we might buy for credit and consequently Goods Account would be debtor to the person from whom purchased.

When shipped as a consignment, sometimes called an adventure, in consequence of a certain risk being taken, or to an agent, the Consignment or Agent's Account is debited, and the Goods Account credited for the actual cost, including all charges (except commission) and brokerage.

If, however, they are sent to order, the entries must be somewhat different from goods consigned as a speculation; in the former case the Purchaser's Account is debited at once, whereas in the latter case the agent is debited for the proceeds, *less* the charges, that is, for the net amount the goods fetch when sold.

For goods actually sold, the buyer is debited in one amount with the amount and charges, and Goods Account which had been previously debited is now credited; when purchased for cash, Goods Account is debtor to Cash for the amount, and *vice versâ.*

A merchant may deal in a variety of commodities and then it is necessary to open accounts for each class, such as Brandy, Hemp, Hardware, etc.

Again, it might happen that goods are exported, and in order to show the transactions a separate account is opened for that purpose, which is necessary when the business is conducted on the principle of commission.

Goods bought on commission are treated as if the transaction is between the seller and the buyer, a duplicate invoice being forwarded to the latter; if goods are lying at a warehouse, the rent must be taken into account in order to ascertain the full cost of the goods. Sometimes rent is deducted from the invoice, when the seller of the goods is credited for the net amount, and debited for the rent paid.

This charge has to be paid to the warehouse, and Goods Account would have to be debited for the amount as follows:—

COMMISSION.

Dr.			Cr.
To Wm. Evans	£95	By adventure to Trieste .	£100
„ Rent	5		
	£100		£100

Sometimes brokers purchase goods on behalf of their principal and deduct the brokerage; in such a case the net amount need only be taken into account when making the necessary entries.

Again, in all cases of consignments it is necessary to carry every deduction in the shape of charges to their proper account; for

example, Indigo, which costs £150 and of the value of £200, is sent from stock to Glasgow and sold at six months' credit; the amount £200 is carried to the credit of Indigo Account, but the buyer offers to give a bill at two months if allowed 2½ per cent. discount. The merchant obtains the bill for £195, which is discounted by the agent at Glasgow, who deducts 2½ per cent. Commission; the agent also allows ½ per cent. to a third party for negotiating the bill.

After deducting postages, two months' interest and carriage, the merchant receives a remittance on London for £187, which shows a net profit of £37 on the transaction.

The entries in the books would be as follows:—

INDIGO.

Dr.		Cr.	
To Cost	£150	By G. Evans, Glasgow .	£200
„ W. Jones . . .	5		
„ F. Smith . . .	8		
„ Profit	37		
	£200		£200

G. EVANS & Co., GLASGOW.

Dr.		Cr.	
To Indigo	£200	By Indigo Discount Account	£5
		„ Bill to F. Smith . .	195
	£200		£200

F. SMITH, GLASGOW.

Dr.		Cr.	
To W. Jones' Bill . .	£195	By Sundry Charges . .	£8
		„ Cash	187
	£195		£195

In this case if the Discount, Interest and Commission had been carried to Interest Account and Charges to the Charges Account, there would appear a profit of £50, which is incorrect. Of course it might happen that incidental expenses cannot be charged to any particular consignment, and in such cases they are transferred to the general Goods Account.

It is always desirable to consider charges on any particular goods account as if the transaction were on a joint undertaking; in fact in the same way as if a merchant was rendering an account to a partner in a joint adventure.

From the time goods are purchased, charges are incurred for Rent, Interest or Carriage, as well as Losses which might occur through fall in prices; all such charges must be taken into account on the Goods Account and not to general expenditure.

When shipped as an adventure and returned the usual method is to open an account in the Ledger, entitled Returned Goods, so that a record is kept of the same as follows:—

Hides ℔ *Mercury*, originally shipped ℔ *Hebe*. DR.

DR. To W. Jones' Account of Consignments for the amount of cost.

If these goods are not speedily sold the amount is transferred to the General Account of Hides, as follows:—

Hides. DR.—To Hides returned ℔ *Hebe*.

Any subsequent charges, as freight, may appear to the debit of either account, but when returned the expense of reshipping must not be added, or any of the freight charges outwards.

These charges are merged in the Consignee's Account of Consignments as a Loss upon the adventure; because on a subsequent reshipment the original charges could not be added.

In consignments the actual cost is debited, but in the Invoice forwarded the selling price is stated, which covers all expenses and profit on the transaction; it therefore follows that the Invoice and the actual cost of the goods differs considerably.

The Trading Account of a manufacturer is the same as the Goods Account of a merchant, because the total cost of production must be taken into account in order to ascertain the actual profit. For example, the cost of all material, production and distribution, is debited, and the receipts for all sales credited.

The following will show the various items on a Trading Account:—

DR.			CR.
To Balance Stock	£2,000	By Sales Account	£44,050
,, Purchases Account	35,000	,, Balance Stock	3,000
,, Wages Account	3,000		
,, Legal Expenses Account	20		
,, Salaries.	1,500		
,, Office Expenses	130		
,, Discount Account	250		
,, Rent	400		
,, Depreciation	500		
,, Doubtful Debts	750		
,, Profit and Loss	3,500		
	£47,050		£47,050

CHAPTER V.

REAL AND PERSONAL ACCOUNTS.

It is important to have a clear and distinct knowledge of the various accounts in order to obtain a complete statement of any business.

There are two distinct classes of accounts, *viz.*, Real and Fictitious, but the former is usually subdivided into Real or Property Accounts and Personal Accounts, so that we have the following divisions, *viz.* :—

Real.
Personal.
Nominal or Fictitious.

Of course every Personal Account is in fact a Property Account, because it represents debts either in the form of assets or liabilities. They are so called because such accounts relate to persons or firms with whom the trader has commercial dealings.

Fictitious or Nominal Accounts refer to gains or losses, and will be treated separately.

The first named is a record of property of whatsoever kind, such as Houses, Land, Ships, Machinery, Bills of Exchange, Goods, Stocks, etc.; Personal Accounts are those relating to persons and firms with whom a trader may have commercial dealing; and the last, *viz.*, Nominal, a most important class, is a record of gains and losses.

We have already described some Real Accounts, *viz.*, Goods and Bills of Exchange, but there are some others which require to be considered; the principle, however, in treating of such accounts must always remain the same, *viz.*, the receiver is debtor and the giver the creditor.

This is shown in the Goods Account :—

Dr.		Cr.	
Purchases.		Sales.	
1900.		1900.	
Jan. 1. To J. Jones . . .	£100	Jan. 5. By Cash . . .	£50

In this case the Goods Account receives the amount of the purchase from J. Jones, *viz.*, £100, and on the other hand, goods are sold for cash, so the account is credited.

The same rule applies to Personal Accounts. For example, I sell goods to W. Jones for £50 on 1st January, and on the 5th January I receive from him £10—the Ledger Account would be as follows :—

W. Jones.

Dr.		Cr.	
1900.		1900.	
Jan. 1. To Goods . . .	£50	Jan. 5. By Cash . . .	£10

Consignments.

These accounts are somewhat similar to Personal Accounts. When a shipment is made to an agent abroad at the risk of the consignor, *viz.*, for sale or return, it is of the character of an adventure.

The account would be opened as follows :—

Consignment of Rum to W. Jones, Dr. . . .	£700	
To Rum Account		£700

If the Insurance on the consignment is paid, the consignor would debit for the same, unless it is effected by W. Jones' agents; the shipping charges must also be debited to the Consignment Account, and an Invoice sent with full particulars, including the Commission on the transaction.

The Invoice would be as follows :—

Wm. Jones.

Dr.				Cr.			
Goods . . .	£700	0	0	Particulars of Goods .	£743	5	0
Insurance . . .	10	0	0				
Charges . . .	33	5	0				
	£743	5	0		£743	5	0

The agent, having disposed of the goods, sends an Invoice in the following form :—

Account of sales on account of—

WM. JONES.

Goods sold by E. Rice (particulars stated) . . .		£780 0 0
Charges—		
Insurance	£2 0 0	
Storage	10 0 0	
Commission, 1 per cent. . . .	7 16 0	
		19 16 0
		760 4 0
Remitted Bill on Account		500 0 0
		£260 4 0

On receipt of this account E. Rice is debited for the net amount realised, *viz.*, £760 4s., and would be journalised as follows:—

E. Rice	£760 4s.	
To consignment of Rum to E. Rice		£760 4s.

It is necessary to open a Ledger Account for E. Rice, because he has not remitted the full amount realised by the sale; an agent should be instructed to make separate remittances for each consignment in order to facilitate the entries in the Consignment Account.

If the tabular system is adopted, it is not difficult to analyse the returns. Sometimes the charges are of a general nature, and then it is impossible to debit any particular consignment with the same. When this occurs the General Account of goods must be debited; for example, a variety of goods is shipped to an agent in Calcutta, and although separate accounts are opened for each class of goods, yet it will be necessary to treat them collectively in order to ascertain the net profit.

When an advance is made to the consignor by the agent of the consignee on goods shipped, you would, of course, credit the Consignee's Account current with the amount received and debit the Shipment Account.

The following would show how the transactions are recorded:—

TRIESTE ACCOUNT CONSIGNMENT.

WILLIAM BROWN & CO.

DR.			CR.
To Goods ℘ *Hero* . . .	£200	By Jones & Co.—Account Current Proceeds remitted .	£250
,, W. Evans—Insurance and Charges on Draft. . .	10		
,, Profit and Loss . .	40		
	£250		£250

DR.	TRIESTE ACCOUNT CURRENT.		CR.
To Account Consignments .	£250	By W. Evans remitted . .	£250

W. EVANS, LONDON, ACCOUNT SHIPMENTS TO TRIESTE.

DR.			CR.
To Wm. Brown & Co.—Account Current remitted . .	£250	By Bills received on Goods ₱ *Hero*	£150
		„ Wm. Brown & Co.—Trieste Account Consignments, Insurance and Expenses of Draft	10
		„ Cash Draft	90
	£250		£250

From the above accounts it is seen that the consignment to Wm. Brown & Co. as a speculation, which amounts to £200, is placed to Wm. Brown & Co.'s debit.

A bill is received from Wm. Evans on account of the consignment to Wm. Brown & Co., amounting to £150, and the Insurance and Charges for negotiating the Draft amount to £10, which are placed to the credit of Wm. Evans' Account of Shipments and to the debit of Goods on Consignment. Wm. Brown & Co. render an account of sales and remit the net proceeds to their agent,, Wm. Evans, who is debited for proceeds, and they receive £90, the balance of the account.

For goods sent on sale to an agent at home, who undertakes the liability connected with the sale of the goods, the same method would be adopted. For example:—

Dr. Armstrong & Co., Glasgow, Account Goods,

and upon their sending an account of sales, their Account Current is debited to Goods Account.

An agent may, however, only take orders, and the goods are sent direct to the purchasers, who are debited, and bills transmitted to the agent for the acceptance of the buyers; the only account in this case with the agent would be "Commission Account".

It might happen that goods consigned are rejected in consequence of a supposed or real inferiority to the sample, and bills might have been drawn and discounted in connection with the transaction; in such a case it would be necessary to open a Suspense Account, and show the various entries.

As bills are drawn, and possibly discounted with a banker, and the customer credited, it is now necessary to reverse the entries, *viz.*, debit the customer and credit Bills Receivable.

In connection with commercial transactions, we sometimes get what is known as a *del credere* operation, which is an agreement between a principal and an agent whereby the latter in consideration for an additional commission guarantees the payment of goods consigned to him by the principal, this additional commission being called *del credere*.

The agent would keep a separate account of such transactions, crediting the same with the additional amount and debiting it for losses. If only a part of the goods are sold, the balance of goods and the amount due for the same are brought forward.

The account stands the same as the original one, no profit or loss being taken into account :—

DR. WM. EVANS' ACCOUNT CONSIGNMENTS. CR.

	Bales.			Bales.	
To Shipment ℘ *Mars* .	10	£300	By Account Current, Net Produce . .	3	£150
,, Balance . . .		150	,, Balance . . .	7	300
	10	£450		10	£450
,, Balance from Old Account		£300	,, Balance from Old Account		£150

It must not be forgotten that Interest must be charged to a Consignment Account, if goods are shipped and no remittance received for a considerable period, which can be done by debiting the Account Current to the Account of Consignments with net proceeds, less the Interest charged, and apportioning the whole amount to each of the sales.

ADVENTURES HOMEWARDS.

If goods are consigned to a merchant, it is necessary to credit the consignor's Account Current for the amount of the Invoice and Charges.

An account is opened as follows:—

Hemp, ℘ *Neptune*, from St. Petersburg,

which must be debited with the amount as stated in the Invoice, and also for insurance on the goods when the same has been effected; when the goods are sold or reshipped to order, the buyer is debited, and hemp, per *Neptune*, credited.

If the Adventure consists of several kinds of goods, separate

accounts can be opened for each, in order to show the profit accruing from each transaction.

When goods are consigned from abroad to the order of a merchant through the London agent of the consignor, the transaction is shown in the books of the agent, and as he usually pays all charges in connection with the same, the account in the books would only be debited for the Invoice, Interest, etc., and credited with the net proceeds received.

In order to estimate the profit on a consignment when the remittance for the same is made in foreign money, the rate of exchange between the two countries must be taken into account; for example, when joint shipments are made by one merchant in London to St. Petersburg, or *vice versâ*, it would be necessary to open two accounts, as follows, *viz.*:—

W. Brown & Co., St. Petersburg, my Account of Consignments,

and

W. Brown & Co., their Account of Consignments.

The merchant in London sells the goods consigned to him and ships other goods in return; the current rate of exchange at the date of the Invoice must be taken into account, or else a false balance of Profit and Loss would occur.

For example, the goods consigned by the merchant cost £100, and the net proceeds of the Adventure to St. Petersburg is 3000Rs. = £150.

Evans & Co. at St. Petersburg ship in return to the order of Brown & Co. goods 3000Rs. at the same exchange = £150; from this it would appear that the net gain on the Outward Adventure is £50, and on the other hand the goods consigned were sold for £200 net; there is a profit of £50 on the Adventure Homeward, the total profit on the two transactions is £100.

If, however, at the date of the Invoice the rate of exchange was 1s.-3s. per rouble, and the merchant in St. Petersburg had drawn upon you for £187 10s., the profit would have been only £12 10s. instead of £50, but on the other hand, if the rate of exchange was roughly estimated at 1s., the price estimated by the merchant in London, the net profit would be £50; the loss in the difference of exchange would not show in the Adventure Account, although it would be seen in the Account Current.

JOINT ADVENTURES OUTWARDS.

If goods are shipped to Calcutta as a joint adventure of W. Brown and Thos. Smith, and consigned to F. Robinson & Co., as W. Brown is the agent for the transaction, he purchases and pays for the goods.

The entries in the books would be as follows:—

ADVENTURE ℔ *Duke* TO CALCUTTA IN ACCOUNT WITH THOS. SMITH.

DR.			CR.		
To Goods Cost	£100	0	By Thos. Smith, Half Cost .	£56	5
,, Insurance	5	0	,, F. Robinson & Co., Account Current, Half Net Proceeds of W. Brown . .	85	0
,, Charges	5	0			
,, Commission, W. Brown .	2	10			
	£112	10			
,, Profit and Loss . . .	28	15			
	£141	5		£141	5

DR.	T. SMITH.		CR.		
To Adventure ℔ *Duke*, Half Cost . . .	£56	5	By Cash	£56	5

DR.	F. ROBINSON & CO., CALCUTTA
To Adventure ℔ *Duke*, my Half Net Profit	£85
,, W. Brown, Half Share . .	85
	£170

It thus appears that a balance of £85 is due to W. Brown for which an account is rendered.

From this it will be seen that the Adventure is treated as if it was solely an account of W. Brown, except that T. Smith must be credited for half the profit and debited for half the losses.

Every consignment should be treated separately in order to show the profit on each transaction.

JOINT ADVENTURES HOMEWARDS.

When goods are shipped abroad, to the order of a merchant in London, the charges of the shipper must be taken into account; for example, Brown & Co. of St. Petersburg ship goods of the value of £100a Joint Account to the order of Evans & Co.; the Insurance on

and Commission amount to £125, and the goods are sold at £150, showing a profit of £25.

The various entries of the transaction would be as follows :—

Dr.	ADVENTURE FROM ST. PETERSBURG.		Cr.
To Evans & Co.— ,, Amount of Invoice . .	£100	By Sales Account	£100

Dr.	BROWN & Co., ST. PETERSBURG.		Cr.
		By Adventure from St. Petersburg	£100 0
		,, Profit and Loss . . .	12 10
			£112 10

Dr.	SALES OF CONSIGNMENTS.		Cr.
To Adventure from St. Petersburg	£100 0	By Williams & Co. . . .	£150
,, Insurance	5 0		
,, Charges	17 10		
,, Commission . . .	2 10		
,, Wm. Jones, Half Profit .	12 10		
,, Evans & Co., Half Profit .	12 10		
	£150 0		£150

JOINT PURCHASES.

It is customary when transactions are on Joint Account for one merchant to draw on another; for example, Jones & Co. gets Wm. Brown & Co.'s Drafts upon them discounted, and they debit the latter for the cash paid, and credit them with the full amount of the bills. In this case Jones & Co. have to pay the Interest on the transaction. With regard to Joint Purchases a merchant may act as manager, and therefore would be entitled to commission on the transaction; for example, goods for £100 are purchased and sold for £200, the Commission being £5.

Dr.	JOINT ACCOUNT WITH EVANS & Co.		Cr.
To Cost	£100 0	By Sales	£200 0
,, Commission	5 0		
,, W. Brown	47 10		
,, Evans & Co. . .	47 10		
	£200 0		£200 0

In this case Wm. Brown's profit is £52 10s., and this amount

is transferred to his Profit and Loss Account; when Interest is charged on the transaction, it may be shown as follows :—

Goods are bought for £300 and sold for £400, thus showing a profit of £100 :—

DR.		INTEREST ACCOUNT.			CR.
1900.					
Jan. 1.	To Cash	£5 0	By Cash Sales		£2 10
Apl. 1.	" Wm. Brown	1 5	" Balance of Interest		3 15
		£6 5			£6 5

DR.	WM. BROWN IN ACCOUNT	CURRENT WITH F. EVANS.		CR.
1900.			1900.	
June 30.	To Cash	£149 7 6	Apl. 1. By Goods paid by him	£100 0 0
			" Half Profit	48 2 6
			" Interest, 3 mon. to June 30	1 5 0
		£149 7 6		£149 7 6

Interest must be charged on joint transactions, the co-partner in the same being debited with half the cost and interest from the date of payment to the time when the account is closed, and credited with half the proceeds.

The following entries show the result of a joint transaction, interest being charged. Wm. Brown and F. Evans, each advance £500 on the understanding that Wm. Brown allows F. Evans half the profit upon a Joint Purchase with interest on the same.

The entries in Wm. Brown's book are as follows :—

DR.	CASH ACCOUNT.		CR.
To Balance	£500 0	By F. Evans	£612 10
" F. Evans	500 0	" W. Smith	1,000 0
" R. Jones	1,200 0	Balance	587 10
	£2,200 0		£2,200 0

DR.	GOODS ACCOUNT.		CR.
To W. Smith	£1,000	By R. Jones	£1,200
" W. Evans, his Share	100		
" W. Brown's Share of Profit	100		
	£1,200		£1,200

Dr.	Profit and Loss Account.		Cr.
To Interest	£12 10	By Goods	£100 0
,, Stock	87 10		
	£100 0		£100 0

Dr.	Interest Account.		Cr.
To F. Evans	£12 10	By Loss	£12 10

The books of F. Evans will show the transactions reversed as follows :—

Dr.	F. Evans.		Cr.
To Cash	£612 10	By Cash	£500 0
		,, Half Proceeds	100 0
		,, 6 Months' Interest	12 10
	£612 10		£612 10

Dr.	R. Jones.		Cr.
To Goods	£1,200	By Cash	£1,200

Dr.	W. Smith.		Cr.
To Cash	£1,000	By Goods	£1,000

Dr.	Balance Account.		Cr.
To Cash	£587 10	By Stock	£587 10

Dr.	Stock Account.		Cr.
To Balance	£587 10	By Cash	£500 0
		,, Profit and Loss	87 10
	£587 10		£587 10

If, however, Wm. Brown had charged F. Evans interest for six months on the transaction, the profit would have been as follows :—

Half Cost	£500 0	
Interest	12 10	
		£512 10
By Half Proceeds		600 0
F. Evans, Net Profit		£87 10

We will now give an illustration of an account where one of the co-partners is allowed £100 for managing a joint transaction. Wm. Brown and F. Evans each advancing £1,000.

Joint Account.

Dr.			Cr.	
1900.			1900.	
Jan. 1. To Wm. Brown . .		£1,000	Jan. 1. By Cash . . .	£2,000
,, F. Evans . .		1,000	Dec. 31. ,, Profit and Loss .	350
Dec. 31. ,, W. Brown, Half Profit .	£175			
,, F. Evans .	175			
		350		
		£2,350		£2,350

Wm. Brown.

Dr.		Cr.	
1900.		1900.	
Dec. 31. To Cash . . .	£1,175	Jan. 1. By Stock . . .	£1,000
		Dec. 31. ,, ,, . . .	175
	£1,175		£1,175

F. Evans.

Dr.		Cr.	
1900.		1900.	
Dec. 31. To Cash . . .	£1,275	Jan. 1. By Stock . . .	£1,000
		Dec. 31. ,, Salary . . .	100
		,, Stock . . .	175
	£1,275		£1,275

Cash Account.

Dr.		Cr.	
1900.		1900.	
Dec. 31. To Stock . . .	£2,000	By H. Steel . .	£1,000
,, R. Jones . .	1,500	,, Charges . .	50
		,, F. Evans . .	1,275
		,, W. Brown . .	1,175
	£3,500		£3,500

Goods Account.

Dr.		Cr.	
1900.			
To H. Steel . .	£1,000	By R. Jones	£1,500
Dec. 31. ,, Profit . . .	500		
	£1,500		£1,500

H. Steel.

Dr.		Cr.	
To Cash	£1,000	By Goods	£1,000

R. Jones.

Dr.		Cr.	
To Goods	£1,500	By Cash	£1,500

Charges.

Dr.		Cr.	
To Cash	£50	By Profit and Loss . . .	£150
,, F. Evans' Salary . .	100		
	£150		£150

DR.	PROFIT AND LOSS.		CR.
To Charges	£150	By Goods	£500
„ Stock	350		
	£500		£500

On reference to these entries, it is seen that the Joint Purchase is first debited with the amount advanced by the two partners, Cash Account being debited and Capital Account credited for the amount on hand, 1st January, 1900. The separate accounts of Wm. Brown and F. Evans are credited for the advance, and also £175 for the half profit on the transaction.

The profit being £500 less £150 Charges Account = £350 net. On the 31st December Wm. Brown withdraws his capital and profit, *viz.*, £1,175; the account of F. Evans shows an additional amount of £100 for management.

Cash Account gives the amount advanced, *viz.*, £2,000, and £1,500 received for goods sold to R. Jones, and is credited with £1,000 for goods bought of H. Steel and £50 for Charges.

The balance of this account shows the profit on the transaction, *viz.*, £2,450.

With regard to Goods the balance is the gross profit which is carried to Profit and Loss Account; the accounts of H. Steel and R. Jones are ordinary Debtor and Creditor Accounts. Charges Account is debited for expenses and manager's salary, and the balance is carried to Profit and Loss Account.

Interest on the capital advanced is not taken into account, as the amount advanced by the partners is equal.

We might take another example of a Joint Purchase where payment is made by means of a bill of exchange; for example, Wm. Brown and F. Evans buy at a public sale five chests of indigo, the amount of the warrants being £500. F. Evans accepts a bill for £50, with which Wm. Brown, on getting the same discounted, pays the deposit, and F. Evans the prompt or balance due, *viz.*, £450.

The goods are sold for £550, and Wm. Brown receives the proceeds.

The entries in the books would be as follows:—

WM. BROWN'S LEDGER ACCOUNT.

DR.	INDIGO JOINT PURCHASE.				CR.
To Cash paid deposit . . .		£50	By Sales		£550
„ F. Evans prompt . . .		450			
„ Wm. Brown Half Profit	£25				
„ F. Evans	25				
		50			
		£550			£550

DR.	F. EVANS.	CR.
	By Bill for deposit	£50
	„ Indigo prompt . . .	450
	„ Half Profit	25
		£525

F. Evans is therefore a creditor of Wm. Brown for £525.

From a careful study of these transactions a complete insight can be obtained of the method adopted to show the book-keeping required for Joint Purchases; we must always remember that Joint Accounts must be credited with Cost and Charges, and credited with the Sales.

GOODS FOR SALE ON COMMISSION.

If goods are consigned for sale, it is necessary to open two accounts, *viz.* (1) Charges on Goods, and debit for charges which represents the amount advanced by the consignee on the Sales Account.

(2) The second account would be Sales of Goods on Commission which is credited for the amount of the Sales and debited for Commission. It is usual to debit for charges before remitting to the consignor the net proceeds; for example, Wm. Brown receives a consignment of goods which is sold for £500, as follows:—

Charges	£200	0
Commission	12	10
Net Proceeds	287	10
	£500	0

The entries are as follows:—

DR.	CHARGES ON GOODS UPON COMMISSION.		CR.
To Cash paid ℘ *Dolphin* . .	£200	By Sales on Commission ℘ *Dolphin* transferred .	£200

Dr.	SALES OF GOODS ON COMMISSION.			Cr.	
To Charges on Goods on Commission	£200	0	By Wm. Brown ℘ *Dolphin* .	£500	0
„ Commission	12	10			
„ Wm. Evans & Co., St. Petersburg, Net Proceeds	287	10			
	£500	0		£500	0

Dr.	WM. BROWN.	Cr.
To Sales of Consignments .	£500	

Dr.	WM. EVANS & CO., ST. PETERSBURG.		Cr.
		By Net Proceeds of Sales .	£287 10

When insurance is effected on goods consigned for sale, the Consignor's Account is usually debited and credited for any return of premiums.

CHAPTER VI.

CHARGES.

In order to carry on a large business there are always a variety of charges which must be taken into account before an estimate can be formed of the profits arising from such an undertaking. These charges are known as working expenses, and sometimes form an important item. It is desirable to keep a strict account in order to ascertain whether the working expenses of a business are increasing, or *vice versâ*.

Charges vary in character, but we intend describing more fully the question of insurance and interest, which form an important item in the working of a large commercial firm. In order to show the actual profit on any particular kind of goods, it is desirable to take into account the expenses incidental on the sale.

The expenses should always be carefully analysed and separate accounts kept, so that if a growth of expenditure has taken place, the accounts would show the cause of the same.

When charges are incurred on a particular consignment, the specific amount must be debited to the Consignments Account. In estimating profits upon goods we should bear in mind that interest should be charged on the amount of capital invested; if, for example, goods are purchased on 1st January for £1,000, and at the end of twelve months sold for £1,025, there is an apparent profit of £25; but if interest is charged against this account at 5 per cent., the account would show a loss of £25.

With regard to the Petty Cash Account, it is customary, as already described, to debit for the amount advanced, and Charges credited for the periodical expenditure; if a cheque is drawn for petty cash, the entry would be

Petty Cash Dr. to Bank.

It is usual to debit for Postage at the end of the half year in the

Account Current, but interest is not usually charged on Postage or Insurance.

The balance of Charges is carried to Profit and Loss Account, and the debit and credit amounts should correspond with the totals in the Journal.

INSURANCE.

When goods are consigned abroad, it is necessary to insure the same, which can be effected through a Company or an Insurance Broker; a Policy is issued showing the amount insured and the conditions under which the same is granted.

Insurance Account is debited to the Broker or Company for the amount of the premium and the duty on the Policy.

The duty is as follows:—

On Time Policies if over 6 months	6d. per cent.
For Voyage Risks when the Rate of Insurance is 2s. 6d. per cent. or under	1d. for any amount.
Over 2s. 6d. per cent.	3d. per cent.

The Broker is debited for Returns, Averages or Losses to the accounts which were formerly charged with the premiums; for example, Adventure to Calcutta, or Consignment Account to Jones & Son, having been already debited for the amount of the premium, must be credited with the Returns, Losses or Averages should the goods be lost in transmission.

It is necessary to take Average into account when goods are damaged in transit, because if on arrival in good condition they would have realised their full value.

Insurance Account therefore becomes a kind of Suspense Account which, upon being debited, is subsequently credited by amounts equal to the debits or nearly so, the only difference being Commission allowed to the merchant, say, of 1 per cent. upon the sum insured or on Averages.

If the merchant effects his own Insurances on account of shipments to consignee, he is entitled to the brokerage.

A statement of the transaction is given to him by the Broker as follows:—

INSURED ℔ *Duke* FROM LONDON TO CALCUTTA.

	£	s.	d.
£200 @ £5 5s.	£10	10	0
Brokerage	0	10	0
	10	0	0
10 per cent. Discount	1	0	0
	9	0	0
Brokerage	0	10	0
Stamp	0	0	6
	£9	10	6

From this statement it is seen that 10 per cent. is always deducted after Brokerage is taken into account; in calculating the Brokerage only 1s. in the £ is deducted although the rate is in guineas; for example, from £10 10s. only 10s. is deducted instead of 10s. 6d.

The Insurance transaction in the merchant's books would be as follows:—

INSURANCE ACCOUNT.

DR.		CR.	
1900. Jan. 1. To Adventure to Calcutta	£9 6	By a Bond Insurance	£9 6

BROKERAGE ACCOUNT.

DR.		CR.	
		By Brokerage ℔ *Duke*	£0 10

The Underwriter's record of the transaction is as follows:—

DR.		CR.	
To W. Evans & Co., Merchants	£9 10	By Insurance ℔ *Duke*, Net	£9 0
		,, Brokerage	0 10
	£9 10		£9 10

PREMIUM ACCOUNT.

DR.		CR.	
To W. Evans & Co., Merchants	£9	Premium in *Duke*	£9

CASH ACCOUNT.

DR.		CR.	
To W. Evans & Co.	£9	1900 Account	£9

The transactions of a Broker are journalised as follows:—

£		JONES & CO. DR.	s.	d.
85	@ 6s. 3d. per cent.		5	4
		to		
10	,,	A. Brown (less 5 per cent. and 10 per cent.)	0	6
10	,,	F. Smith ,, ,, ,,	0	6
10	,,	W. Ekins ,, ,, ,,	0	6
55	,,	H. Ross ,, ,, ,,	2	10
		Stamp	0	3
		Brokerage	0	9
85			5	4

We notice that Jones & Co. are debtors to the Underwriters for 4s. 4d., and the balance is obtained by crediting Stamp Account 3d. and Brokerage Account 9d.

The term *F.P.A.*, which frequently occurs in marine policies, means Free of Particular Average.

Particular Average may be defined as damage to cargo or ship from various causes, and is recoverable, if insured, from Underwriters.

General Average occurs when sacrifice of property has been made for the general benefit of the ship's cargo and freight, and in such cases each Interest has to contribute for such loss in proportion to the value of property which is protected by such an act of sacrifice.

For example, if a fire occurs on board, and in order to extinguish the same a part of the cargo is damaged by water, we have General Average; that is, some of the goods are damaged for the general benefit.

INTEREST.

Whenever capital is invested in a business it is important to consider interest in the same manner as if the capital was invested in Stocks or Shares.

We have already stated that in the case of Joint Adventures and Purchases it is necessary to charge interest on each transaction; if a bill of exchange is discounted, the amount deducted is interest and not true discount, which is the present value of a sum of money due at a given period. For example, the true discount of £100 for twelve months at 5 per cent. is £4 15s. 2$\frac{3}{4}$d., whereas £5 is usually deducted on discounting a twelve months' bill.

The following entry will show how interest is calculated in a Trading Account:—

DR. F. JONES IN ACCOUNT CURRENT WITH H. STEEL. CR.

Date	Particulars	Interest	Amount	Date	Particulars	Amount
1900.				1900.		
Sept. 30.	To Goods @ 2 mon. due Nov. 30.		£400 0 0	Nov. 30.	By Bill due Jan. 31 Interest 1 month see Dr. side.	£200 0 0
	„ Interest @ 1 mon.	£1 13 4		Dec. 31.	By Cash	100 0 0
Oct. 31.	„ Goods @ 1 mon. due Nov. 30		100 0 0		„ Balance	202 18 4
	„ Int. 1 mon. @ 5 %	0 8 4				
		£2 1 8				
	To Int. on £200 from Cr. side	0 16 8				
			2 18 4			
			£502 18 4			£502 18 4
	To Balance Dec. 31		£202 18 4			

If this balance is not paid on 31st December, Interest must be charged, because if the merchant had discounted the bill due 31st January, 1901, he would lose one month's interest.

When interest is not paid at the end of twelve months, the amount due may be added to the Principal and Interest charged on the increased amount as follows :—

F. JONES IN ACCOUNT WITH G. STEEL—INTEREST TO 30TH JUNE, 1900.

DR.			CR.		
1900.					
Jan. 1. To Balance as Cash .		£500 0	By Interest on £500	£12 10	
,, 6 mon. Int. to June 30.	£12 10		,, Balance Interest .	12 10	
,, Accep. due Dec. 31		500 0	Carried forward .		£1,012 10
,, Interest carried for.	12 10	12 10			
	£25 0	£1,012 10		£25 0	£1,012 10

INTEREST TO 31ST DECEMBER.

1901.					
June 30. To Balance		. £1,012 10 0	Int. not paid .	£12 10 0	
Int. 6 mon.	£25 6 3		Bal. Interest .	12 16 3	
Bal. Int. .		12 16 3	Balance . .		£1,025 6 3
	£25 6 3	£1,025 6 3		£25 6 3	£1,025 6 3

The following is an example of a Discount Account: F. Jones has an account against G. Steel, but finds it necessary to have recourse to a Bill Broker who discounts F. Jones' bills and pays over the net amount. The entries in the books of F. Jones would be as follows :—

DR. G. STEEL DISCOUNT ACCOUNT WITH F. JONES. CR.

1900.		1900.	
March 31. To Bill due June 31 . . .	£500 0	March 31. By Discount 3 mon.	£6 5
		,, Cash . . .	493 15
	£500 0		£500 0

If F. Jones had debited £500 to G. Steel and credited him with £493 15s., he would gain the interest upon the bill to the time when the account is closed.

INTEREST TO 31ST DECEMBER, 1900.

1900.							
March 31.	Bill due June 30	£500 0 0	March 31.	By Cash . .	£493	15	0
	Interest 6 mon.	12 10 0		Int. 9 months .	18	10	4
					512	5	4
				Int. on £6 5s. 9 months .	0	4	8
		£512 10 0			£512	10	0

If, however, G. Steel had given £500 cash for the bill, F. Jones would have at once debited G. Steel with the amount.

INTEREST TO DECEMBER.

1900.				1900.			
March 31.	To Bill June 30 .	£500	0	March 31.	By Cash . . .	£500	0
	„ Interest 6 mon.	12	10		„ Interest 9 mon.	18	15
	„ Balance . .	6	5				
		£518	15			£518	15
					By Balance .	£6	5

Another illustration may be given of a discount transaction as follows :—

WM. OWEN DISCOUNTS WITH ROBINSON & CO. TWO BILLS AS FOLLOWS :—

1900.	£		£ s.	
Jan. 1.	500 . .	April 1 . .	6 5	3 months Interest.
	500 . .	July 1 . .	12 10	6 „ „
	1,000		18 15	

1 JAN., 1900. RECEIVED FROM ROBINSON & CO. (WM. OWEN DISCOUNTED WITH ROBINSON & CO.).

£		£ s.	
500 .	Oct. 1 .	18 15	9 months Interest.
500 .	Jan. 1 .	25 0	2 „ „
1,000		43 15	

Principal .	£1,000 0	
Interest .	43 15	
		£1,043 15
Due by Wm. Owen to Robinson & Co. .		£25 0

The entries in F. Robinson & Co.'s books would be as follows :—

DR. WM. OWEN. INTEREST TO 1ST JAN., 1901. CR.

		Months.				Months.	
To Bill £500	April 1	9	. £18 15	By Bill £500	Oct. 1	3 .	£6 5
„ 500	July 1	6	. 12 10	„ 500	Jan. 1	.	
				„ Balance due by Wm. Owen			25 6
			£31 5				£31 5

CHAPTER VII.

PROFIT AND LOSS AND BALANCE STATEMENT

It has been stated that the Double Entry system is the only one that shows correctly the amount realised or lost on trading transactions, and a correct account should be kept of all charges incidental to a commercial concern; similarly one must be kept of all gains, either resulting from a Sale of Goods, or Interest and Commission received for the loan of capital or for services rendered.

The Profit and Loss Account is usually classified in the following manner, *viz.* :—

Profit :—

(1) The net gain in the Sale of Goods.
(2) Discount and Interest.
(3) Commission.

Loss :—

(1) Trade Expenses, such as Rent, Salaries, etc.
(2) Bad Debts.

The account is kept as follows :—

Dr. Losses.	Gains. Cr.
To Wages	By Discount and Interest .
,, Rates	,, Commission . . .
,, Discount	,, Goods Account . . .

With regard to the Losses we notice in the debit side all charges of whatever kind, and it is desirable to have separate Ledger Entries for all such accounts.

For example, wages in the case of a large manufacturer would require possibly a separate Ledger, but the balance at the end of the year must be transferred to Profit and Loss Account.

The balance of Charges Account should be carried to the general account of Profit and Loss. In order to understand the principle of

making the entries the following lines, taken from the original edition, are useful to remember :—

> By Journal laws what I receive
> Is *Debtor* made to what I *give* ;
> *Stock* for my Debts must *Debtor* be,
> And *Creditor* by Property.
> Profit and Loss Accounts are plain,
> I debit Loss and credit Gains.

Thus, if I buy cloth to the amount of £100 and sell it for £110, there is a gain of £10 on the transaction.

Dr.	CLOTH.		Cr.
To Cash	£100	By Cloth Sold	£110
,, Profit and Loss	10		
	£110		£110

	PROFIT AND LOSS.		Cr.
		By Cloth	£10

As this increases Capital Account, when the books are balanced this amount is credited as follows :—

Profit and Loss, Dr. to Capital Account.

On the other hand, if the result of selling the cloth is a loss :—

Dr.	CLOTH.		Cr.
To Cash	£100	By Cloth Sold	£90
		,, Profit and Loss	10
	£100		£100

Dr.	PROFIT AND LOSS.		
To Cloth	£10		

In this case Capital Account is diminished by £10, and the entry under that account must be

Capital Account, Dr. to Profit and Loss, £10.

Of course the balance resulting from the sale of cloth could be transferred at once to the Capital Account, if there were no other charges incidental to the sale of the goods.

For example :—

DR.		CAPITAL ACCOUNT.		CR.
1900.				
Jan. 1.	To Sundries owing by you	£1,000	By Sundries due to you . .	£5,000
	" Balance . . .	1,000		
		£5,000		£5,000

The net capital is therefore £1,000.

In the course of the year cloth is purchased of the value of	.	£1,000
And sold for	.	1,500
Profit	.	£500

Thus, the Capital Account is increased by £500 during the year 1900; balance on 1st January, 1901, is therefore £1,500.

It is usual to open an account called Bad Debts Account, and close such accounts that may result in a loss, and debit Bad Debts Account for the same.

Commission is another account which is included in Profit and Loss transactions, and is credited for amounts due either upon sales which is charged in the gross amount, or upon what the buyer has to pay for the goods.

Thus, upon a shipment *to order* the entries are as follows :—

John Jones Dr. to Goods on Consignment.
" Charges.
" Insurance.
" Commission.

The last entry would be a Journal entry to Commission Account, unless the amount is carried direct to Profit and Loss; upon individual Adventures no Commission is charged in the books, although it might appear *pro formâ* on the Invoice.

When a firm merely act as agents an account might be opened as follows :—

Goods purchased on Commission,

which account is appropriated *exclusively* for such goods as are purchased on Commission, and this account balances itself, as follows :—

Goods Dr. to Sundries.
Sundries Dr. to Goods.

In such a case there is neither Profit nor Loss upon this account of goods.

There are seldom any entries to the debit of Commission Account, because the charges made by agents for commission has nothing to do with this or the Charges Account, inasmuch as they properly belong to the Goods Account to which they have reference. Commission charged on Cash Accounts is carried to Interest Account.

Sometimes an account is opened, "Commission on Acceptances," to cover any loss arising from such transactions; it is customary to stipulate that on goods sent for sale the agent receives Commission only upon such accounts that are really sold, and when paid for he may claim the amount due to him.

What has been mentioned under Loss on the debit will apply to Profit on the credit side of the Journal. If having lost on some accounts £100, you have profited on others £1,000, there is a clear gain of £900 as follows:—

LOSS.

DR.		CR.	
To Goods	£100		

PROFIT.

DR.		CR.	
		By Sundries	£1,000

You say Profit Dr. to Loss for £100, which balances the former account, and brings £100 to the debit of Profit, thereby leaving the balance in the latter £900.

The profit on goods, supposing all debts to be *bonâ fide*, is the amount actually received.

Bad debts are made from the Personal Accounts; it would be absurd to show a profit of £100 on the Goods Account, if, perhaps, £1,000 has been lost through bad debts.

If the carriage of goods is effected, it would be necessary to open a Cartage Account and debit it with cost of horses, carts, wages, keep of horses and other incidental expenses, and credit the same with the cartage debited to other accounts; this would not, however, show the actual Profit or Loss upon the Cartage Account, which ought to exhibit what has been saved by transacting the business yourself, instead of employing some one else.

This can be done if a proportionate amount is charged on each transaction, and in Joint Accounts it is absolutely necessary to charge a fair amount for cartage.

The following is an illustration of a Profit and Loss Account:—

PROFIT AND LOSS ACCOUNT.

31st December, 1900.

Dr.			
To Expenses—			
Salaries		£500 0	
Rent and Taxes		150 0	
,, Current Expenses—			
Gas	£20 0		
Water	5 0		
Stationery	2 10		
Postages	3 0		
Cartage	20 0		
		52 10	
To Discounts		200 0	
,, Bad and Doubtful Debts		500 0	
,, Repairs		50 0	
,, Depreciation Account—			
Plant and Machinery	£200 0		
Goodwill	100 0		
		300 0	
			£1,752 10
,, Interest—			
To Balance net Profit for year to 31st December, carried to Drawing Account—			
W. Jones		£4,223 15	
F. Evans		4,223 15	
			£8,447 10
			£10,200 0

Cr.		
By Trading Account, Gross Profit	£10,000	
,, Profit and Loss on Investments. Net Profit	200	
		£10,200
		£10,200

With regard to the Profit and Loss Account of a company it is usual to designate it as a Revenue Account, and this statement generally includes an ordinary Trading Account in addition to the Profit and Loss statement.

Sometimes it is difficult to ascertain what really belongs to Capital Account instead of Income; for example, new engines for a railway would be charged to Capital Account and not to the Profit and Loss statement. The usual method adopted by companies is to appropriate the surplus of the Revenue Account as follows:—

(1) To set aside certain sums to form a Reserve Fund.

(2) To divide a certain proportion amongst the Shareholders.

(3) The balance is generally carried forward to form the nucleus of the next division of profits, and if necessary to equalise the Dividends.

The Profit and Loss Account is sometimes divided into two sections, *viz.*:—

(1) Particulars of Expenditure and Income.

(2) Appropriation Account, or the disposition of the net profit.

The latter account generally contains on the credit side the net profit brought from Profit and Loss, and also the balance brought forward; on the debit side is shown the amount placed to Reserve Fund, the Dividend proposed to be paid, and the Balance carried forward. When an Appropriation Account is not used the net result is generally included in the Balance Sheet.

The following is an example of an Appropriation Account:—

Dr.			Cr.
To Interim Dividend on Ordinary Shares	£3,000	By Profit	£4,200
,, Interim Dividend on Preference Shares . . .	1,000	,, Balance from Last Account .	550
,, Further Dividend . . .	500		
,, Reserve Fund . . .	250		
	£4,750		£4,750

The Balance Sheet.

At the end of a given period, say, six months, it is necessary to balance the books, that is, to make the two sides agree in order to ascertain whether the various entries in the books are correct.

The first step is to examine the Journal carefully in order to see that every entry has been posted and marked off. After the stock in hand has been valued at cost price, the values are credited to each particular account of goods; the gain after taking stock is entered on the debtor side and transferred to Profit and Loss Account. The quantities of the debtor and credit sides of the Stock Account should correspond. With regard to values of the Goods Account, if the credit side exceeds the debit, the balance represents profit, and, on the other hand, if the debtor side is the larger, the difference is loss.

The entry in the first instance would be Goods Dr. to Profit and Loss, and in the second Profit and Loss Dr. to Goods.

The balances of stock must be brought forward showing the quantities and amounts on hand; Charges Account would be a loss, and is balanced by the total being carried to the debit of Profit and Loss Account.

On the other hand, Commission Account is debited for any Commission allowed, and credited for what has been received; in the same manner Insurance and Interest Accounts are balanced, the totals being carried to Profit and Loss Account.

The balance of Bills Receivable and Cash is, of course, the amount of each on hand; with regard to Bills Payable, the amount represents the acceptances unpaid, which have been already debited to the particular accounts to whom the same have been given.

If a loan has been obtained from a Bank by means of an Overdraft, by which a merchant is allowed to overdraw his Current Account for a specific amount, it will be necessary to include such Overdraft in the list of his creditors.

The next operation is to balance the Personal Accounts, after charging interest where necessary. The debtor and creditor balances are shown both in the old and new accounts.

The net result of all these transactions is capital represented by the balances of Personal Account—Goods, Houses, Ships, Funded Property, Bills Receivable, and Cash on hand.

The balance of Profit and Loss shows whether you have gained or lost by your business; if there is a profit, then Profit and Loss is debtor to Stock for the balance, but, on the other hand, if there is a loss, your capital is diminished, and Capital Account is debtor to Profit and Loss Account.

All amounts withdrawn for private expenditure is debited to Capital Account after the balance of Profit and Loss Account has been transferred, and the result is your net capital.

The Ledger gives the necessary particulars for the preparation of the Balance Sheet, as it contains the above-mentioned Impersonal Accounts of Profit and Loss, as well as the Personal Accounts of sundry debtors and creditors.

The Balance Sheet is therefore a statement showing the financial position of any private firm or limited company; however, before this can be prepared it is necessary to see whether the Ledger balances are correct.

This is effected by means of the Trial Balance, and in accordance with the principles of Double Entry, *viz.*, the debits must equal the credits, and therefore the creditor balances must equal the debtor ones.

The Trial Balance would be in the following form :—

Ledger Accounts.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
	£	£	£	£
Capital Account	50	3,000		2,950
Cash	950	230	620	
Bank	1,000	600	400	
Petty Cash	10	5	5	
Bills Payable	500	200	300	
,, Receivable	700	1,000		300
Jones & Co.	600	100	500	
Evans & Co.	300	200	100	
Suspense Account	50	5	45	
Commission Account	100		100	
Goods Account	2,000	940	1,060	
Bad Debts	100	20	80	
Trade Expenses	50	10	40	
	6,410	6,410	3,250	3,250

It will be seen that the totals as well as the balances are included in this account, and from the latter can be prepared the Profit and Loss Account.

The value of goods in hand must, however, be taken into account before the statement of profits can be prepared, and if machinery forms a part of the stock in trade, it is usual to write off a certain amount on account of depreciation. The following is a rough estimate as to the amount to be written off, but, of course, each business requires distinct treatment according to the circumstances of the case. For example, new plant or buildings would not require such a large amount especially if the former was old and possibly worn out :—

DEPRECIATION.

	Per Cent.
Freehold Dwelling Houses	2 to 4
" " in bad repair	5 " 7½
Mill Buildings	2½ " 5
Fixed Plant	5 " 7½
Boilers	7½ " 10
Machinery	5 " 10
Furniture	7½ " 10
Horses	10 " 20
Ships	5 " 6
Trucks and Waggons	7½ " 10

Depreciations being considered as loss, the amounts written off can be debited direct to the Profit and Loss Account, as follows, through the Journal :—

1900.				
June 30.	Profit and Loss Account, Depreciation	Dr.	£50	
	To Machinery Account			£50

Sometimes it is advisable to open a Subsidiary Account in order to show what has been deducted from the various accounts, and the total would be carried to Profit and Loss Account as follows :—

DR. DEPRECIATION ACCOUNT. CR.

		£	s.	d.			£	s.	d.
1900.					1900.				
June 30	To Machinery . 10 %	100	0	0	June 3	By P/L	350	0	0
	" Buildings . 6 %	200	0	0					
	" Office Furniture 10 %	50	0	0					
		350	0	0			350	0	0

When the necessary allowances for depreciation have been made, the next step necessary is to prepare the Balance Sheet or Statement, which is not a Ledger Account, and consequently need not be considered as a Debtor and Creditor Account.

In fact, there is no reason why the assets should be placed on the right side, although it is usual to do so.

If, however, it is in the form of an account, it would be necessary to state the fact as follows :—

(1) DR. —— in Account with Jones & Co. CR.

or

(2) DR. J. Jones in Account with —— CR.

Balance Accounts are debited with everything possessed and its cost, and credited with everything due and the value produced by the liability incurred. The second form is usually adopted, Jones & Co.'s liabilities being debited and his assets credited.

With regard to the order in which a Balance Statement is prepared, the custom is to place the assets according to their relative value ; this plan is usually known as Marshalling the Assets.

In order to do this it must be remembered that capital is usually divided into two distinct classes, *viz.*, Floating and Fixed. By the former we mean capital that can easily be converted into money, and would consist of Cash in Hand or in the Bank, Bills of Exchange, Stocks and Shares, Book Debts and Stock in Trade ; on the other hand, Fixed capital is that which is sunk in Land, Buildings, Machinery, Fixtures, Investments, and cannot easily be sold. Goodwill which is shown as an asset is sometimes of little value.

It therefore follows that in the preparation of a Balance Sheet the various assets should be stated according to their respective values. Cash in Hand and at Bank would rank first, and then Investments of a marketable character. The next item would be Sundry Debtors, either on Bills Receivable or Open Accounts. Stock would form the next asset, and varies in character, in fact each must be stated according to its liquid value. Freehold Premises would be the next in order of value, but Plant and Machinery may, in some cases, be placed before Real Estate. Office Furniture and Fixtures, being the least saleable, would be ranked next, and, finally, we have Goodwill, the value of which largely depends upon the character of the business.

With regard to the liabilities it is usual to classify them in a particular order; for example, bills accepted by a firm must be met at maturity, and therefore should be stated first.

The amount due to creditors must next be stated, as well as any loans that may have been contracted either of a temporary or permanent nature.

Lastly, the amount of capital invested in the business must be shown ; as this liability only concerns the partners, this statement is of more interest to the banker or to the creditors of the firm. As the firm cannot be called upon to pay the same, it usually appears as the last item in the list of liabilities.

We will now give a specimen of a Balance Sheet in the form described :—

BALANCE SHEET.

LIABILITIES.		£	s.	d.	£	s.	d.
Sundry Creditors on Bills Payable		2,000	0	0			
On Open Account		1,000	0	0			
,, Loan		1,000	0	0			
					4,000	0	0
Capital, *viz.*—							
John Jones	£5,000						
Interest on Capital	250						
Half Share of Profits	1,000						
	£6,250						
Less Drawings	500						
		5,750	0	0			
W. Evans	£2,000						
Interest on Capital	100						
Half Share of Profits	1,000						
	£3,100						
Less Drawings	400						
		2,700	0	0			
					8,450	0	0
Contingent Liability on B/R Discounted and not Matured	£500						
					12,450	0	0

ASSETS.	£	s.	d.	£	s.	d.
Cash in Hand	200	0	0			
,, at Bank	1,000	0	0			
				1,200	0	0
Investments				1,400	0	0
Sundry Debtors, Bills Receivable	200	0	0			
Oh Open Accounts	500	0	0			
	700	0	0			
Less Doubtful Debts	50	0	0			
				650	0	0
Stock—						
Goods	4,000	0	0			
,, Partly Finished	300	0	0			
Materials	300	0	0			
Sundry Stores	200	0	0			
Goods on Consignment	560	0	0			
				5,360	0	0
Frechold Premises	2,000	0	0			
				2,000	0	0
Plant and Machinery on 1st January, 1900	1,000	0	0			
Less 10 per cent. Depreciation	100	0	0			
				900	0	0
Office Fittings	200	0	0			
Less 5 per cent.	10	0	0			
				190	0	0
Goodwill	1,000	0	0			
Less 25 per cent. Depreciation	250	0	0			
				750	0	0
				12,450	0	0

It will be noticed that a bill for £500 has been discounted, and therefore the firm is liable for that amount if not paid by the Acceptor at maturity.

When a firm does not wish their staff to see the actual results of the year's trading, the various Profit and Loss Accounts are kept in a Private Ledger, from which can be obtained the particulars of its financial position in a simple form, as follows :—

Dr.	Sundries to John Jones, 31st December, 1900.		Cr.
To Sundry Debtors	£1,800	By Amount due to W. Evans	£2,000
,, Bills Receivable	400	,, Bills Payable	500
,, Cash	200	,, Balance	500
,, Goods	600		
	£3,000		£3,000

John Jones' Capital Account.

1900.			1899.	
Dec. 31.	To J. Jones' Private Expenses	£200	Dec. 31. By Balance Net Capital	£200
	,, Balance	500	1900. Dec. 31. By Profit and Loss	500
		£700		£700

Profit and Loss Account.

1900.				
Dec. 31.	To Balance carried to Capital Account	£500	By Sundries	£500

The Profit and Loss in this case shows the net result after all the necessary charges have been deducted.

From the above statement we notice the following results, *viz.*:—

Net Capital 31st December, 1899		£200
Profits accrued since	£500	
Less Private Expenses	200	
Net Profit		300
Balance of Capital Account		£500

The accounts therefore show that John Jones has increased his capital by £300 as the result of a year's trading.

CHAPTER VIII.

BANK ACCOUNTS—GENERAL PRINCIPLES.

THE same principles of general book-keeping apply to the accounts of Banks, and the system of double entry is utilised, two distinct entries being made for all cash received and paid.

For example, a Bank starts its business with a large paid-up capital, and Cash Account is debtor for the amount; all sums received from persons who open accounts with the said Bank are credited, and Cash debited. Again, when a customer draws a cheque the reverse operation takes place, *viz.*, the Current Account is debited and the Cash credited.

There is consequently no material difference in the books of a merchant and a banker.

A merchant, however, deals in a variety of goods, whilst the banker has only one, *viz.*, cash, which is in a variety of forms, such as coin, bank notes, cheques and bills of exchange, and in order to make the necessary entries for these credit articles, various books are required.

Another difference is that a large paid-up capital is required to carry on the business of banking, whereas a merchant only requires comparatively a small amount in actual cash; this is necessary, because the deposits are repayable on demand or at short notice.

For example, a Bank might keep 16 per cent. of its assets in cash for this purpose, and the paid-up capital for carrying on the business would perhaps amount to 20 per cent. of its total liabilities.

With regard to the books, the Journal, Cash Book and Ledger are still utilised, the first being used for certain purposes; but Cash Books and Ledgers are the principal books of account.

The principles of Double Entry are carried out in Bank Accounts as follows: Thos. Mason deposits £500 in a Bank, and his Drawing or Deposit Account is credited, and Cash Account debited for the same;

he is thus a creditor of the Bank for £500, and would be supplied with a Pass Book showing that the Bank owes him that amount.

This particular transaction might be shown in the half-yearly Balance Sheet, as follows, the liabilities being increased by £500, and the assets by a corresponding amount in cash; there is in fact two entries for every sum of money deposited in a Bank.

It is usual for the London Banks to keep a large balance at the Bank of England, which is always a debtor one in their books; for example, Thos. Mason's £500 might be shown on this account if he deposited Bank of England notes, because they are credited at the Bank of England; the Drawing Account is therefore credited £500, and the Bank of England debited, in consequence of cash being received for the same.

We have already noticed the Capital Account of a merchant, which shows how much has been invested in the business; in a similar manner we have the Capital Account of a Bank, which is a liability to sundry persons who subscribe capital for the purpose of transacting banking business at a profit.

The usual books of a Limited Liability Company would be required for the purpose of showing who are the shareholders in the concern.

A register must be kept showing :—

(1) The names and addresses of the shareholders.

(2) The date when each person became a shareholder.

(3) The date when he ceased to be a member.

An annual return must be made to the Registrar of Joint Stock Companies giving the following particulars, *viz.* :—

(1) The amount of the capital of the company, and the number of shares into which it is divided.

(2) The number of shares taken from the commencement of the company up to the date of the summary.

(3) The amount of calls made on each share.

(4) The total amount of calls received.

(5) The total amount of calls unpaid.

(6) The total amount of shares forfeited.

(7) The names, addresses and occupations of the persons who have ceased to be members since the last list was made, and the number of shares held by each of them.

When a Bank commences business the various amounts received on Capital Account may be journalised as follows :—

SUNDRIES. DR.

	£	£
1900.		
Jan. 1. To Application and Allotment Account—Sundry Shareholders	300,000	500,000
" 6. " Application and Allotment Account—Sundry Shareholders	200,000	
	500,000	500,000
Jan. 20. To Application and Allotment Account—Sundry Shareholders	500,000	
" Share Capital Account		500,000

If the Bank has set aside a part of its profits to form a Reserve Fund, this would be shown under that heading in the General Ledger.

It will also be necessary to treat of the books required in the case of a Bank with a large number of branches, because the head office of a Bank is in the same position as a merchant who receives an Account Current from his agent showing what has been effected on his behalf.

In order to get a clear idea as to the book-keeping involved in Bank work, it is desirable to follow the entries in successive order, so that the working of the system can easily be seen.

With regard to the Journal in a Bank, generally called the Day Book, it gives a summary of receipts and payments arranged in order so that the entries may be recorded in the General Ledger; for example, the totals of the Received Cash Book would be posted in the Day Book, and then entered to Current Accounts in the General Ledger; the totals of the Paid Cash Books would also be treated in a similar manner.

The Day Book can also be utilised for the purpose of making debit and credit entries; if William Brown wishes to transfer £500 from Current Account to Deposit, he is debited for that amount and his Deposit Account credited; in this case the Current Account in the General Ledger would be diminished by £500 and the Deposit Account increased.

As it is the business of a banker to lend his resources at a profit, the various loan transactions are seen in the Day Book; for example, if William Brown has a loan of £500, his Current Account is credited, and he is debited for that amount in the Discount and Loan Ledger; the entries would be shown in the General Ledger as follows, Current Accounts being credited £500 and Discount and Loan Accounts debited.

In addition to the Cash Books, Day Book and General Ledger, there are a great number of books required for the purpose of recording the entries on Current and Deposit Accounts.

With regard to the Current Accounts it is necessary to have Cash Books, Ledgers and various subsidiary books for the purpose of analysing and recording the cash articles paid into the Bank.

For Deposits we have the Day Book, the Ledger and the Deposit Receipt Book, the latter being a record of the terms upon which the deposit is made.

As Bills of Exchange are used n mercantile transactions for the payment of debts, they are generally negotiated and finally discharged through the medium of a Bank.

In order to show these transactions it is usual to have two sets of books, *viz.*, one for bills lodged for collection, and another for bills purchased or discounted by the Banks; the latter are the property of the Bank, and a complete record must be kept of them.

The Cash Books are important, since they show each individual item, such as coin, cheques, notes and bills.

Again, with regard to cheques, it is desirable to classify them, because in a London Bank the collection must be considered.

For example, cheques on Clearing Bankers must be collected through the medium of the Clearing House, and cheques on other Banks are sent out for collection by walk clerks. Another division would be cheques on the Bank of England, which are paid to the Bank's credit at that institution; there are also cheques drawn on the Bank which receives them, and finally cheques on Country Banks.

All these various credit documents are shown in a Sectional Cash Book, which is a supplementary one to the Receiving Cash Book.

CHAPTER IX.

CURRENT AND DEPOSIT ACCOUNTS

WITH regard to Current and Deposit Accounts, which form the greater part of the book-keeping in a Bank, the entries are simply debtor and creditor statements, which must be rendered to the customers and depositors.

The former class on opening an account with a Bank is supplied with a book of forms, so that the various cash articles may be entered in a methodical manner for the purpose of assisting the Bank in the collection of coin, notes, cheques and bills of exchange.

This form is as follows :—

PAYING-IN FORM.

	£	s.	d.	£	s.	d.
Gold	20	0	0			
Silver	10	0	0			
				30	0	0
Bank Notes				100	0	0
Country Notes						
London Cheques	400	0	0	400	0	0
				530	0	0

This, with the cash articles, is handed to the cashier, who enters the total in the Received Cash Book.

There are several forms of Cash Books, but they only differ in respect to particulars given; for example, in a large London Bank it is not necessary to state the amount of cheques which are entered in another book.

The following is a specimen of a Cash Book when the transactions are on a large scale :—

RECEIVED CASH BOOK.

Money.			Notes.	Name.	Total of Credit.		
£	s.	d.			£	s.	d.
30	0	0	£100 5/20 Nos. 85645/9	J. Evans & Co. . . .	530	0	0

It will be noticed that only the particulars of part of the credit of £530, *viz.*, £30 money and £100 notes, are given, and the balance of £400 is not shown in this book. The total amount of the credit, *viz.*, £530, is entered on a docket or credit slip, which is handed to the Ledger-keeper for entry.

Another important book called the Waste, or what the old bankers designated the Goldsmiths' Book in the early days of banking, is of great use.

We have noticed that £400 of the credit is not shown in the Cash Book, but the Waste, or Goldsmiths' Book, gives the necessary particulars.

This book is ruled as follows :—

GOLDSMITHS' BOOK OR WASTE BOOK.

Name.	Total Amount.			Clearing.			Walks.			Bank and Country Notes.			Bank of England.			House and Country Cheques.			Money.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
J. Evans & Co.	530	0	0	100	0	0	50	0	0	100	0	0	200	0	0	50	0	0	30	0	0

We notice that full particulars of the credit are given in this book, and that the total amount of £530 is made up of six various cash articles.

The receiving cashier retains the notes and money, and delivers the "paying-in slip" with the other articles to the Waste Book clerk, who makes the entries as above stated. We have also a check upon the entries made by the cashier, because at the close of business the Cash Book and Waste Book are examined and the totals of the two must agree.

The various articles are entered separately, because they are collected through different channels. For example, the cheques on Clearing Bankers are sent to the Clearing House for collection; and cheques entered under the heading "Walks" are collected by clerks who present them for payment at the various Banks upon whom they are drawn.

Bank of England notes would be paid in the same or the following day for the Bank's credit at the Bank of England. It is not usual to re-issue these notes, but to pay cheques with new ones; cheques drawn upon the Bank would be entered in the Paid Cash Books, and the total of such cheques must agree with the amount in the Waste Book.

The cashier is responsible for the Bank of England notes and money, and at the close of business the amount due from him must agree with the totals of the Waste Book.

In a large Bank there are several Cash Books corresponding to the number of Ledgers, and thus the received side of the Cash Book for a day, week or month should agree with the received side of the Ledger.

The Waste Books correspond to the Cash Books, so the totals of the three books on the received side would of necessity agree.

We have followed J. Evans & Co.'s credit of £530, and seen that the particulars are entered in the Cash Book, Waste Book and Ledger, and that the various entries are identical. There are subsidiary books for clearing and Bank of England cheques, and the totals of such books must agree with the totals of the columns for such articles in the Waste Book. In order to facilitate the work, it is sometimes convenient to have separate books for received and paid cash.

It is quite possible that J. Evans & Co. on the same day draw a cheque for £100 and present the same at the counter for payment.

The paying cashier has a Supplementary Cash Book, which is ruled as follows:—

SUPPLEMENTARY PAID CASH BOOK.

Total.			Name.	Numbers.	Amount of Notes.			Money.		
£	s.	d.			£	s.	d.	£	s.	d.
100	0	0	J. Evans & Co. . . .	39565/6 2/20	40	0	0	60	0	0

From the above we notice that J. Evans & Co.'s cheque for £100 is paid as follows, *viz.*, £40 in notes and £60 in gold and silver.

There are, however, cheques drawn on the Bank and which are being presented in various ways; for example, John Evans & Co. have paid an account, say £50, to Brown & Co., and this cheque is paid to their credit with a Clearing Banker.

Another cheque for £70 is paid into the Bank to the credit of Russell & Co. by John Evans & Co.; these various transactions are shown in the Paid Cash Book, which is as follows:—

PAID CASH BOOK.

Name.	Waste Book.			Walks.			Paid Cashiers.		
	£	s.	d.	£	s.	d.	£	s.	d.
J. Evans & Co. . . .	70	0	0				100	0	0

John Evans & Co.'s cheque for £50 in favour of Brown & Co. would be included in the total amount of cheques paid through the Clearing House; a Supplementary Cash Book is used for entering such cheques, and the total amount would be entered in the Paid Cash Book.

The firm we have named is supplied with a Pass Book, which is a complete record of all transactions made on its behalf, and is of the same character as the account current of a merchant.

This book is usually as follows:—

PASS BOOK.

DR. THE LONDON BANK IN ACCOUNT WITH JOHN EVANS & CO. CR.

Date.	Particulars.	Amount.			Date.	Particulars.	Amount.		
1900.		£	s.	d.	1900.		£	s.	d.
Jan. 2	To Cash . .	530	0	0	Jan. 2	By Self . .	100	0	0
						,, Brown & Co. .	50	0	0
						,, Russell & Co. .	70	0	0

From the above we notice that the Bank debits for cash paid in, and credits itself for cheques drawn.

When the Pass Book is delivered to the said firm for the purpose of being checked, it is assumed that all the entries are in order if

John Evans & Co. do not within a reasonable time return the book stating that the entries are incorrect.

The specimen form of Pass Book is a useful one, because it enables the firm to check their Cash Book against the Bank's Pass Book; the entries are identical, *viz.*, cash received on the debtor and cash paid on the credit side of the Cash Book.

The various transactions of cash received and paid are shown in the following books, *viz.*:—

Received Cash Book.
Paid Cash Book.
Supplementary Cash Book.
Pass Book.

The final entries, however, of the transactions on each Current Account are recorded in the Ledger, which may be as follows:—

LEDGER.

DR. JOHN EVANS & CO. CR.

		£	s.	d.	£	s.	d.			£	s.	d.	£	s.	d.
1900.								1900.							
Jan. 2	To Self	100	0	0				Jan. 2	By Cash	530	0	0			
	,, Brown & Co.	50	0	0											
	,, Russell & Co.	70	0	0											

We notice, however, that the entries are in reverse order to the Pass Book, John Evans & Co. being shown as a creditor for £530, and they are the Bank's debtors for £220, the amount of cheques drawn by them.

The Ledger Accounts are sometimes in the following form, in order to show the daily balance:—

Date.	Particulars.	Debit.			Credit.			Credit Balance unless otherwise stated.		
		£	s.	d.	£	s.	d.	£	s.	d.
1901.										
Jan. 1	By Balance				1,000	0	0			
,, 15	Great Western Railway Dividend				50	0	0			
					1,050	0	0			
,, 20	Cash	20	0	0				1,030	0	0

Another form would show particulars of debit and credit entries in different columns, the totals of the weekly debits and credits being stated under their respective headings as follows :—

Date.	Dr.	Cr.	Dr.			Cr.			Balance.		
1900.			£	s.	d.	£	s.	d.	£	s.	d.
Jan. 2	Evans .	Cash .	20	0	0	65	0	0	45	0	0
,, 6	,,	,,				100	0	0	145	0	0
,, 9	Jones .		10	10	0				134	0	0
	£30 10s.	£165									

When Interest is allowed on Current Accounts it is necessary to have additional columns for the products, so that at the end of the quarter or half-year the amount of the Interest can be calculated.

Date.	Particulars.	Debits.			Credits.			Dr. or Cr.	Balance.			No. of Days.	Debit Interest Products.			Credit Interest Products.		
1900.		£	s.	d.	£	s.	d.		£	s.	d.		£	s.	d.	£	s.	d.
Jan. 1	Cash .				300	0	0	Cr.	300	0	0	9				2,700	0	0
	To Cheque, J. Brown	100	0	0				,,	200	0	0	2				400	0	0
,, 12	J. Smith .	100	0	0				,,	100	0	0	3				300	0	0
,, 15	S. White .	400	0	0				Dr.	300	0	0	5	1,500	0	0			
								Cr.	300	0	0							

In order to obtain the amount of Interest it is necessary to multiply the product by double the rate per cent. and divide the result by 73,000.

We have described an ordinary transaction on Current Account, but there is another class, entitled "Deposit Accounts".

It is usual to allow Interest on such accounts, and the rate in London fluctuates with the Bank of England rate of discount. In order to provide a margin for the banker's profit, there is usually a difference of $1\frac{1}{2}$ per cent. between the Bank and deposit rate; for example, if the official rate is 4 per cent., the Bank would allow $2\frac{1}{2}$ per cent. Although this appears a good margin for profit, yet in reality it is not so, because the Banks lend capital at times below the official rate.

When a Deposit Account is opened a receipt is issued in the following form, *viz.*, Received from John Evans & Co. the sum of one hundred pounds for one year to bear Interest at the rate of $3\frac{1}{2}$ per cent. per annum for that period only from the 1st inst.

The amount received can be credited through the Cash Book, but it is usual to have a separate Cash Book to show the transactions on Deposit Accounts, which would be a record of the daily receipts and withdrawals.

Another book is kept for the purpose of showing the number and particulars of deposit receipts issued, as follows :—

DEPOSIT RECEIPT BOOK.

Date.	Number.	Name and Address.	Amount.			Interest Paid.			Total with Interest.			Date of Payment.
			£	s.	d.	£	s.	d.	£	s.	d.	
1900. Jan. 1	1	William Evans, of Plymouth	500	0	0	8	15	0	508	15	0	1900. July 1

If the depositor has a Drawing Account the transaction can be effected by means of a debit and credit entry, which is made in the Day Book or Journal, as follows :—

DR.	£	s.	d.		£	s.	d. CR.
To Deposit Account— J. Evans & Co. . .	100	0	0	By Current Account— J. Evans & Co. . .	100	0	0

The effect of this transaction is, to increase Deposit Accounts by £100, and to diminish Current Accounts by the said amount.

The daily entries from the Day Book would be posted in the Deposit Ledger, because it is more convenient to keep them distinct from Current Accounts.

The Ledger is as follows :—

DEPOSIT LEDGER.

JOHN EVANS & CO.

Date.								Date.							
		£	s.	d.	£	s.	d.			£	s.	d.	£	s.	d.
1900. Jan. 9	Credited Drawing Account . .	100	0	0				1900. Jan. 2	Deposit . .	100	0	0			

The outer columns are utilised for the purpose of extending the monthly or half-yearly amounts, when the totals of all the accounts in the Ledger are taken for Balance Sheet purposes.

CHAPTER X.

BILL AND LOAN ACCOUNTS.

As Bills of Exchange form a very important part in Bank accounts, it is necessary to describe the books required for the purpose of recording such transactions. There are two distinct classes of bills which are dealt with in a Bank, *viz.*, those collected or paid, and, secondly, those purchased from customers or discounted.

With regard to the latter class, the customer is credited with the full amount of the bill and debited for the Interest, which is the period from the day the bill is discounted to the date of maturity.

The usual custom for collection of bills is to lodge them a few days before maturity, and the Bank undertakes to collect them at due dates; these bills are designated "short" in order to distinguish the same from bills discounted. When lodged with the Bank they are credited in a Bills Receivable Book, which is a record of the amount, name of acceptor, and due date of the bill. From this book they are credited to an Impersonal Account in the Ledger, called Bills for Collection Account, and when paid are debited.

Thus the process at the maturity of a bill would be as follows: Bill Account is debited, and the customer is credited. A complete check on the Ledger can be obtained by marking it off from the bills themselves.

Another method, however, is to dispense with the Bills Receivable Book, and open an account for each customer in the Bill Ledger, which is ruled as follows:—

BILL LEDGER.

Date.	When Due.	Amount.			Acceptor.	Debtor.	Creditor.			Balance.		
		£	s.	d.			£	s.	d.	£	s.	d.
		100	0	0			...	...	...	...	...	...
		200	0	0			...	...	...	...	...	...
		500	0	0			800	0	0	800	0	0

The next step in the procedure is to enter the bills in a Diary or Journal, which has a separate opening for each day in the year, and is in the following form:—

BILL DIARY.

Ledger Folio.	Name of Acceptor.	Folio.	Name of Customer.	Amount.		
				£	s.	d.

In order to trace the entries the folio number of the Bill Ledger is stamped upon each bill, and when the bills are paid the Current Account Ledger folio is inserted in the margin of the Diary.

The total amount held is shown by the Impersonal Account in the Ledger called Bills for Collection, and the daily totals of bills remitted for collection are debited to this account.

As these documents mature, the Bill Ledger Accounts are debited, and Bills for Collection is credited; the bills are sorted away in cases, and, as they mature, marked off against the Diary and presented for payment.

It is very important that bills should be presented at their due dates, because if not presented the banker is liable for loss or damage in consequence of his neglect, and in order to prevent mistakes great care is taken in the method of book-keeping.

We have already stated that the bills are checked against the original entries in the Diaries; but, in addition to this, customers' accounts are credited directly from the Diaries, so that if bills were not presented for payment the daily balance would be incorrect. Again, the Ledger-clerk credits the customer's account with the amount of bills due from the Diary, and, consequently, the Cash Book and Ledger would not agree if the entries had not been made in such books.

We will now consider the second class of bill transactions in a Bank, *viz.*, the discount of such documents on behalf of customers, which are very important, because the Bank becomes the purchaser of bills, and, therefore, is liable for any loss that may arise in case such bills are dishonoured at maturity.

With regard to the book-keeping in connection with bills discounted, it is usual to have a separate set of books; the Diary would be the same as already described, and as the bills are treated as cash articles they are entered in the Day Book, which contains a full description of the bills lodged for discount.

They are also entered in the Ledger, which is as follows:—

DISCOUNT LEDGER.

JOHN EVANS & CO.

Date.	Acceptor.	Date when Due.	Amount.			Amount.			Date.	Acceptor.	Date when Paid.	Amount.			Amount.		
			£	s.	d.	£	s.	d.				£	s.	d.	£	s.	d.

As the bills mature the dates of payment are posted from the Day Book.

In a large Bank it is found necessary to have a separate Cash Book for bills discounted, and this book is used for the daily transactions on account of these documents, and is also available as a record for loans granted on various securities. At the close of the day's business the totals of this book are carried into the Day Book or Journal, which records all the financial operations of the Bank.

With regard to the Discount Cash Book the totals of receipts and payments are carried into the Day Book, because, when a bill is discounted, the customer's account in the Discount Ledger is debited, and his account in the Current Account Ledger credited, and the entry would also be shown in the Cash Book.

The transactions would be shown as follows:—

DISCOUNT CASH BOOK.

2ND JANUARY, 1900.

1900.		£	s.	d.	1900.		£	s.	d.
Jan. 2	W. Brown—Loan paid off . .	500	0	0	Jan. 2	Loans granted—J. Evans on demand	600	0	0
	Bills Discounted paid . . .	1,000	0	0		Bills Discounted .	2,000	0	0
		1,500	0	0			2,600	0	0

DAY BOOK.

1900.		£	s.	d.	1900.		£	s.	d
Jan. 2	Discount Cash Book total	1,500	0	0	Jan. 2	Discount Cash Book total . . .	2,600	0	0
	J. Evans—Loan on Demand . .	600	0	0		W. Brown—Loan paid of . .	500	0	0

From the above we observe that J. Evans & Co.'s Current Account is credited, but the firm appears as debtor in the Discount Ledger; the sum of £1,000 received for bills discounted and paid at maturity would be shown in the total of cash received during the day.

If the bills were payable at Clearing Bankers, the total amount to be received from the Clearing House would be increased by the said sum.

We have already noticed how the principle of double entry is carried out for entries in the Discount Cash Book, so that each debit in the Discount Ledger has a corresponding credit in the Current Account Ledger.

Loan transactions are recorded in a similar manner, either by means of a separate Ledger, or a part of the Discount Ledger is utilised for that purpose.

CHAPTER XI.

THE CLEARING AND DAILY BALANCE.

THE collection of cheques forms an important part of the work in a London Bank, and as the total amount of cheques to be received or paid through the Clearing House is connected with the Daily Balance, it is desirable to consider the two subjects together.

We noticed that the Waste Book had sectional columns, and the first one is designated "Clearing," and forms the most important item in a London Bank's accounts. The collection of cheques drawn upon different Banks was, in the early days of banking, a simple matter, but in course of time it was discovered that an easier method could be devised for the purpose of paying cheques drawn upon different banking institutions. The London bankers about the year 1775 hired a room where the clerks from each Bank could meet to exchange their bills and notes, the differences in the amount being paid by Bank of England notes. This was the origin of the Clearing House; and when we consider that the total amount passing through the House in 1900 was £8,097,291,000, the average daily clearing being £23,173,800, we can realise what an important part it performs in the financial world.

The system is a simple one. For example a Bank, A, holds cheques drawn upon Banks B, C and D, and these institutions have respectively cheques drawn upon A.

The differences between these various Banks can be paid in a simple manner, if they agree to accept a cheque drawn upon a certain institution where they have Drawing Accounts.

This central establishment is the Bank of England, which liquidates the daily differences. For example, A's account might be as follows:—

THE SYSTEM OF CLEARING.

A.	B.	C.	D.
Cheques & Bills—			
£500 upon B .	£200 upon A .	£80 upon D .	£150 upon C
200 „ C .	100 „ C .	200 „ B .	60 „ B
100 „ D .	50 „ D .	150 „ A .	400 „ A
£800	£350	£430	£610

Dr.	A's ACCOUNT.	Cr.
£200	B	£500
150	C	200
400	D	100
£750		£800

In the above case A has to receive £800 and to pay £750; the balance due to A, *viz.*, £50, is liquidated by a transfer at the Bank of England; similarly, the accounts of B, C and D are settled by means of debit and credit entries.

Cheques drawn upon Clearing Banks are usually entered separately upon the "paying-in slips," so that the amount can be at once entered in the clearing column of the Waste Book. They are then delivered to what is known as the "out-clearing" clerks, who have books ruled with columns and at the top of each column or columns is the name of every Bank at the Clearing House; the cheques are entered under their respective headings and sent to the Clearing House, where they are delivered to the clerk who represents the Bank upon which the said cheques are drawn. This clerk is known as the "in-clearer," and he has a book ruled similarly to the one already mentioned, with the exception that the name of his Bank does not appear.

At the end of the day the two sets of books must agree, and then the balance is liquidated in the manner already stated.

We have seen that the Waste Book has a separate column for the clearing, and consequently the Out-Clearer's book must agree with the clearing column in the Waste Book.

With regard to cheques drawn upon the Bank and paid through the Clearing House, it is usual to enter them in supplementary books and carry the totals into the Paid Cash Books at the end of the day.

These Supplementary Cash Books must of necessity agree with the clearer's books at the Clearing House, but it must be clearly understood that all are subsidiary to the Received and Paid Cash Books of the Bank.

The final transaction is completed at the Clearing House, where the clerk makes out a form which is certified by the inspector, whereby the Bank's account at the Bank of England is either debited or credited.

If the Bank has received cheques for a larger amount than the cheques drawn upon it, then its balance at the Bank of England is increased by the said amount; for example, a Bank starts the day's business with £10,000 in notes and gold, and a balance of £200,000 at the Bank of England; at the end of the day the balance in notes and gold may be £5,000, but the balance at the Bank is now possibly £300,000, the additional £100,000 being paid through the Clearing House.

This transaction is shown in the daily balance of the Bank, which is struck at the close of the day's business in order to test the correctness of the various entries.

We have already noticed that the Day Book records the balance at the end of the previous day's operations as £1,000, but at the end of the day the balance is £11,670, showing an increase of £10,670; when the transactions are not of a complicated nature the balance is as follows:—

	£	s.	d.		£	s.	d.
Cash Book last night .	10,000	0	0	Paid Day Book . .	15,000	0	0
Received Day Book .	20,000	0	0	Cash Book to-night .	15,000	0	0
	30,000	0	0		30,000	0	0

The final entries in the Day Book are not made the same day in a large London Bank, because of numerous alterations which naturally take place in consequence of cheques being paid through the Clearing House, and therefore a Trial Ticket is made out as follows:—

DR. DAILY BALANCE. CR.

	£	s.	d.		£	s.
Amount of Cash Book (Money and Notes)	10,000	0	0	Amount of Paid Cash Books . . .	72,000	0
Received Cash Books .	100,000	0	0	Discount Cash Book .	30,000	0
Received Discount Cash Book . .	50,000	0	0	Clearing Book . .	20,000	0
				Walks . . .	5,000	0
				Money . . .	5,000	0
				Notes. . . .	25,000	0
				Bank of England Cheques . . .	2,000	0
				Cheques Unpaid .	1,000	0
	160,000	0	0		160,000	0

It has been shown how the totals of the Discount Cash Book are included in the day's transactions, *viz.*, the received side representing bills paid at maturity, and also loans paid off; on the other hand, bills discounted and loans granted appear on the credit side.

The total of the "Clearing Book" would represent the amount of cheques paid in during the day and presented for payment at the Clearing House; the walks represents the total of cheques which are sent out for collection.

Cheques drawn on the Bank of England are not cleared, although that institution presents at the Clearing House all cheques upon Banks represented at the House; in order, therefore, to agree the daily balance, the cheques drawn upon the Bank of England are posted to an account in the Ledger which is always debtor, and the total must be included in the balance of the day's transactions.

The cheques received from the Clearing House may be omitted from the Trial Balance, although they must be included next day when the final adjustment is made.

If such cheques were taken into account, it would be somewhat late before a trial could be made, because they are not received from the Clearing House until a considerable time after the Bank closes, and then require entering in the Supplementary Cash Books before the totals can be ascertained.

A fresh trial is made the next morning, when the difference between the received and the paid clearing is taken into account, and the actual balance shown in the Day Book; when the final entries are made the Day Book is balanced and the rest is brought forward for the next day's transactions.

Reference has been made to the system of posting entries in the Ledger by means of dockets; although this is not strictly in accordance with the rules of book-keeping, yet it would be impossible in a large London Bank to post from the Cash Books into the Ledgers.

For example, the balance of a customer's account is required throughout the day in order to ascertain whether he has a sufficient balance to meet the cheques continually being presented for payment, and as the cashiers require their books during official hours, no posting could be done until the Bank had closed its doors.

Again, the importance of cheques being posted at once into the Ledgers is seen when we consider that one Bank sometimes pays daily 6,000 to 8,000 cheques.

CHAPTER XII.

THE BALANCE SHEET.

IT has been already stated that many entries are journalised through the medium of the Day Book; in fact, a great number of transactions are not shown in the Received and Paid Cash Books.

For example, a transfer from Drawing to Deposit Account, or transactions on Impersonal Accounts, such as salaries, rates and taxes, and interest are made in the Day Book or Journal. This is an important book in a Bank, as it records the daily transactions; in fact, the entries exhibit what has taken place during the day. In a large Bank several Cash Books are used, and the totals are carried into the Day Book. The entries should be carefully studied, because it is a record of banking business.

A specimen of the Day Book is given on next page.

We notice that the Bank starts with a balance of £1,000, which usually consists of notes, gold and cheques received too late the previous day for collection; the next item is on the Bills and Promissory Note Account, which shows that a bill discounted for F. Jones has been paid; we then have two entries on Deposit Account, T. May and W. Brown having deposited £700, and therefore Deposits are increased by that amount.

There are several transactions on Current Accounts, the first being the discount of a bill for £100 due 2nd February, and consequently W. Robinson's account is credited £100; the discount on this transaction, *viz.*, 8s. 4d., is indicated, Interest Account being credited 8s. 4d., and a corresponding debit of that amount is shown on the paid side, where W. Robinson is debited. A similar operation is shown in the case of H. Smith, where Interest Account is credited 4s., and H. Smith's account debited.

Under the heading of Town Accounts would appear the amounts of the various Received Cash Books, but it is not necessary to show the totals of each book separately.

DAY BOOK.

MONDAY, 2ND JANUARY, 1900.

Account	Particulars	£	s.	d.	£	s.	d.
	Balance . . .	...	...	...	1,000	0	0
Bills and Promissory Note Account . .	F. Jones—Jan. 2 .	500	0	0	500	0	0
Deposit Accounts	T. May . . .	500	0	0			
" "	W. Brown . . .	200	0	0	700	0	0
Current Accounts	W. Robinson—Keyser due Feb. 2 .	100	0	0			
" "	H. Smith—Brown due Mar. 1 .	50	0	0			
" "	W. Smith—Per Deposit . .	500	0	0			
" "	Town Accounts—Sundry	10,000	0	0			
" "	Country Accounts .	5,000	0	0	15,650	0	0
Interest Account	W. Robinson . .	0	8	4			
" "	H. Smith . . .	0	4	0	0	12	4
Loan Account .	W. Taylor—Part of Loan paid off	700	0	0	700	0	0
					18,550	12	4

Account	Particulars	£	s.	d.	£	s.	d.
Bills and Promissory Note Account . .	Keyser, Feb. 2 . .	100	0	0			
	Brown, Mar. 1 .	50	0	0	150	0	0
Deposit Account	W. Smith . . .	500	0	0	500	0	0
Current Accounts	W. Robinson—Discount . . .	0	8	4			
" "	H. Smith—Discount .	0	4	0			
" "	T. May to Deposit .	500	0	0			
" "	W. Taylor—Part of Loan . . .	700	0	0			
" "	Town Accounts—Sundry	2,000	0	0			
" "	Country Accounts—Sundry . . .	3,000	0	0	6,200	12	4
Petty Expenses .	Sundry Repairs . .	10	0	0	10	0	0
Rent and Taxes .	Poor Rate . . .	20	0	0	20	0	0
	Balance . . .	...	...	...	11,670	0	0
					18,550	12	4

London Banks act as agents for various banking institutions in the country, and a separate Department is required for transacting the business; the amounts received are entered in separate Cash Books, but the totals of such books must appear in the Day Book, and we have £5,000 as the total sum received on such accounts.

We have already noticed the amounts of 8s. 4d. and 4s. received on Interest Account; these sums would be credited in the General Ledger, which will be described subsequently.

The next item is on Loan Account: W. Taylor having repaid the Bank the sum of £700, the Discount or Loan Ledger is credited that sum, and on the debit side we notice that W. Taylor's account is debited.

The first banking operation recorded on the paid side of the Day Book, is on Bills and Promissory Note Account; two bills having been discounted, the Discount Ledger must be debited with the sums of £150, and, when these bills mature, the Discount Ledger would be credited, and the Cash Account would be increased by that amount.

There is one transaction on Deposit Account: W. Smith transfers the sum of £500 to Drawing Account; the corresponding entry on the received side has already been noticed.

With regard to Current Accounts, two sums of 8s. 4d. and 4s. are debited respectively to the accounts of W. Robinson and H. Smith; T. May wishes to transfer £500 to Deposit Account, and, consequently, his account is debited and Deposits credited with that amount.

The next item is £700 repaid by W. Taylor; his account is therefore debited with that amount, but as the total amount of the loan is not repaid no interest is charged. If, however, the loan is still outstanding at the end of the quarter, his account would be debited for what is due to the Bank.

Sundry Accounts have been debited with £2,000, the amount of cheques drawn and paid by the Bank; the particulars of these cheques would be shown in the Paid Cash Books; a corresponding debit entry of £3,000 is the total of cheques and drafts paid on behalf of country Banks.

Finally, there are two debit entries of £10 and £20 on account of petty expenses and rates and taxes; these payments would diminish the cash held by the Bank.

The specimen of the Day Book which we have given is a good illustration of the various banking operations daily taking place in every Bank in this country.

The Bank commenced its day's business with £1,000, but at the end of the day the balance is £11,670; this sum might consist of £2,000 gold and silver, £3,000 notes, and the balance, *viz.*, £6,670, in cheques. If these are payable at the Clearing House the Bank will have the above-mentioned sum placed to its credit, and, consequently, the Bank of England Account in its books will be increased by that sum.

The Day Book is therefore a summary of the daily banking transactions; in fact, every entry in the Cash Books must be summarised in this book as already described. However, instead of being an ordinary Cash Book it may be utilised as a Journal, and then the entries would be reversed as follows: on the debit side would be entered all sums paid away, and on the credit side all sums received from customers who are the Bank's creditors.

An account is opened in the General Ledger called the General Cash Account, and to this account is posted the totals of the debits and credits of the Day Book.

As it is customary with the London Banks to keep their cash reserve with the Bank of England, an account is opened in the books of the Bank, and is always a debtor one; the total of this account plus the notes and coin held would represent the daily cash balance.

By means of the *General Account of Cash* we get a perfect check in the General Ledger, because all the balances, debit and credit must agree; to the *debit* of this account in the General Ledger is passed every day the total amount of the *credit* side of the Day Book. In the same manner the General Account of cash is credited for the amount of the *debit* side of the Day Book. The balance will always be a debtor one, and will be equal to the difference between the sums of all the other debit balances and the sum of all the credit balances; that is, it will show the amount of cash held by the Bank.

It is customary to post all Journal entries into the Ledger, and a similar operation takes place in the Bank, except that a separate ledger already described is used for this purpose.

The General Ledger gives the particulars of Current and Deposit Accounts, the amount of bills held, and the various investments classified; bills discounted and loans are also shown. Other accounts are as follows, *viz.*, Rent and Taxes, Salaries, Cash held by Branches, Shareholders' Capital, Reserve Fund, and finally the General Account of Cash which has been already described.

All the Impersonal Accounts are found in this book, and on reference to the Day Book we notice that the outer column is used

for the purpose of showing the headings of accounts to be found in the said Ledger.

The following are examples of the accounts :—

GENERAL LEDGER.

Current Accounts.

Date.	Particulars.	Debits.						Date.	Particulars.	Credits.			Balance.		
		£	s.	d.	£	s.	d.	1900.		£	s.	d.	£	s.	d.
1900. Dec. 31	Balance . .												3,000,000	0	0
1901. Jan. 2	Paid Cash Books	100,000	0	0	100,000	0	0	Jan. 2	Received Cash Books . .	200,000	0	0	3,100,000	0	0

The balance due on the 31st December on Current Accounts is increased on the 2nd January by £100,000, the total of Received Cash Books from the Day Book is £200,000, of the Paid, £100,000, and these entries are posted as above stated. The liability of the Bank on Current Accounts on the 2nd January is therefore £3,100,000.

The next account we notice is an important one, because it shows to some extent the profits of the Bank; the various charges for discount of bills and interest on loans is credited to this account.

If the profits of the Bank have been divided amongst the shareholders on the 31st December, the account is opened on the 2nd January with the amounts received as interest on loans and discounts.

Interest Account.

Date.	Particulars.	Debits.						Date.	Particulars.	Credits.			Balance.		
		£	s.	d.	£	s.	d.	1900.		£	s.	d.	£	s.	d.
								Jan. 2	Interest on Bills Discounted . .	200	0	0	200	0	0
								„ 3	Interest on Loans .	100	0	0	300	0	0

Thus on the 2nd January £200 is received on bills discounted, various Current Accounts are debited, and the total of such sums in the Day Book is credited in one amount in the General Ledger. On the following day £100 is received as interest on loans, and consequently the Interest Account is credited; the total on this account is therefore £300.

The next account is a debtor one, *viz.*, Rent and Taxes.

RENT AND TAXES.

Date.	Particulars.	Debits.						Date.	Particulars.	Credits.			Balance.			
		£	s.	d.	£	s.	d.			£	s.	d.		£	s.	d.
1900. Jan. 2	Poor Rate . .	10	0	0									Dr.	10	0	0
Mar. 25	One Quarter's Rent	500	0	0									Dr.	510	0	0

All payments for rent and taxes are debited to this account.

The working expenses of a Bank mainly consist of salaries to the officials; and, on the other hand, we have Interest Account, which constitutes the largest source of profit. It therefore follows that Interest Account, Rent and Taxes, and Salaries Account form the nucleus of the Profit and Loss statement, and is shown in every Balance Sheet, which is usually certified by a Chartered Accountant.

We have noticed that, in order to prepare the half-yearly Balance Sheet of a merchant, the books must be balanced and the various debit and credit amounts entered on a sheet, which is called the Trial Balance.

The same method is utilised in a Bank, and the following extract from Gilbart's *Practice of Banking* shows how the balances from the General Ledger are stated:—

BANKING COMPANY.

Amounts and Balances of the General Ledger.

Amounts, Dr. £	s.	d.	Balances, Dr. £	s.	d.	Title of Accounts.	Ledger Folio.	Balances, Cr. £	s.	d.	Amounts, Cr. £	s.	d.
						Deposits—							
						London Current Accounts							
						Country ,,							
						Deposit Receipts							
						Bills Deposited							
						,, from Country							
						Notes in Circulation							
						Credits on Agents							
						Investments—							
						Bills Discounted							
						,, from Country							
						Past Due Bills							
						Government Stock							
						Colonial Stocks							
						Loans to Customers							
						,, to Brokers							
						Interest Account							
						Expenditure—							
						Bank Premises							
						Rent							
						Taxes							
						Salaries							
						Stationery							
						Incidental Expenses							
						Law Expenses							
						Cash Account with Branches:							
						Branch A							
						,, B							
						,, C							
						,, D							
						Proprietors' Account—							
						Paid up Capital							
						Dividend Account							
						Unclaimed Dividends							
						Surplus Fund							
						Profit and Loss							
						Fund for Bad Debts							
						General Account of Cash							

We will now give an illustration of a Balance Sheet, which exhibits what a Bank may hold in the shape of assets against its liabilities to the public.

BALANCE SHEET.

——— BANK, LIMITED, 31ST DECEMBER, 1900.

Dr.									Cr.
LIABILITIES.		£	s.	d.	ASSETS.		£	s.	d.
Capital, 50,000 Shares of £100 each	£5,000,000				By Cash in Hand and at the Bank of England	£6,000,000			
To Amount paid up, £50 per Share on 50,000 Shares . . .		2,500,000	0	0	,, Money at Call and Short Notice	4,000,000			
							10,000,000	0	0
,, Reserve Fund . . .		1,000,000	0	0	,, Investments:—				
					£2,000,000 Consols at 90 .	1,800,000			
,, Amount Due by the Bank on Current Accounts, Deposit Accounts and Circular Notes	37,542,500				English Railway Debentures and other Stocks . .	8,000,000			
							9,800,000	0	0
,, Drafts Current	210,000				,, Bills Discounted . . .	4,000,000			
		37,752,500	0	0	,, Loans and Advances to Customers	16,812,500			
,, Customers' Acceptances, Contingent Liability (as *per contra*) .	3,000,000						20,812,500	0	0
,, Foreign Bills Negotiated . .	50,000				,, Acceptances on behalf of Customers (as *per contra*) . .	3,000,000			
		3,050,000	0	0					
,, Profit and Loss Account, Half-Year's Dividend of 20 per cent.	250,000				,, Foreign Bills Negotiated (as *per contra*)	50,000			
							3,050,000	0	0
,, Balance carried forward . .	10,000				,, Bank Premises and Furniture		900,000	0	0
		260,000	0	0					
		44,562,500	0	0			44,562,500	0	0

On examining this statement we observe that the assets are marshalled, that is, they are placed according to their liquid character.

In analysing a Balance Sheet we notice that cash in hand and at the Bank of England forms the first item, since an adequate reserve of ready money must be kept against any possible demand; there is no fixed rule as to the amount, but the London Banks keep from 10 per cent. to 20 per cent. of their liabilities in cash, and of course no profit is made upon this asset.

The next item, *viz.*, "Money at call," represents capital lent to Bill Brokers to enable them to discount bills in the market, and such documents or other securities are lodged with the Banks as security against the amount lent; the need of an investment for the daily surplus being the reason of this asset.

A portion of the capital, as well as the reserve, of a Bank is usually invested in Government Stock, because, in cases of emergency, it can be easily sold in the market; the return from this investment is, however, small, but it is important that a Bank, which may be called upon at any moment to meet its liabilities, should have some assets easily convertible into cash.

Investments are also made in other securities of a first-class character, and the amount is stated separately in the Balance Sheet.

The chief source of profit is, however, the interest on Bills Discounted, Loans and Advances. Bills of Exchange are considered the best form of investment for bankers, as they usually mature at three months' or six months' date, and therefore the capital employed in this manner can be re-invested at short periods; an additional security in the case of bills is the liability of all parties, either as drawers, acceptors or endorsers. The profit on the discount of bills fluctuates considerably, because it is dependent upon the rate of interest in the market.

On the other hand, more profit is made from Loans and Advances, but it is desirable that this form of security should be kept within certain limits, because of the greater risks involved.

With regard to "Acceptances," it is customary for foreign correspondents to draw bills on the London Banks, which are accepted by them, and consequently they become liable for the due payment of such documents; securities being deposited as cover for the amount.

The business is a profitable one, but, on the other hand, when a sudden collapse of credit in the money market occurs, it would not be advantageous if the Bank had accepted a large number of bills.

The last item on the assets' side, *viz.*, Bank Premises Account,

is of an unproductive character. The policy of the Banks is to write down this asset, so that the value in the Bank books is considerably below the market value of the property.

With regard to the liabilities, we have first the Capital Account, which is the amount invested to carry on the business of banking.

The Reserve Fund represents the accumulations of undivided profits—in fact, similar to the Reserve Fund of any other trading company; it is, however, usually invested in Government Stock, so that in case of necessity the Stock could be sold and converted into cash.

The amount due by the Bank on Current and Deposit Accounts is the total of these accounts in the Ledgers of the Bank; the acceptances being a liability, the amount is shown on both sides of the Balance Sheet.

The General Ledger furnishes all the particulars respecting the Impersonal Accounts; thus the totals of the Current and Deposit Accounts, as well as the Capital and Reserve Fund Accounts, are shown.

On the credit side of the account, the cash in hand and at the Bank of England are shown by the balances standing to the credit of these accounts.

With regard to investments, it is usual to value the Government Stock at a low figure, in order to make it a valuable asset; the other securities are taken at cost, or are written down if the Stocks have fallen in value; if, however, the Stocks have risen, the profits are not taken into account until actually sold.

The Bills Discounted and Loans are the totals of such accounts in the Loan and Discount Ledger.

We have now to consider the Profit and Loss Account, which shows the net profit on the half-year's banking operations.

DR. PROFIT AND LOSS ACCOUNT. CR.

		£	s.	d.		£	s.	d.
To Total Expenditure (including Salaries, Auditors' Fees, Rent, Taxes, and all other charges) . . .		300,000	0	0	By Balance of Undivided Profit, 30th June, 1900 . . .	15,000	0	0
" Rebate of Discount on Bills at 5 per cent. .		50,000	0	0	" Gross Profit for the Year (including Rebate brought from previous year, and after appropriating £25,000 to Bank Premises Account, paying Income Tax, and making due provision for Bad and Doubtful Debts)	782,500	0	0
" Interim Dividend of 15 per cent. . .	£187,500							
" Final Dividend of 20 per cent.	250,000							
" Balance carried forward	10,000							
		447,500	0	0				
		797,500	0	0		797,500	0	0

The profits of the Bank, as already stated, principally consist of interest received on loans, and the discount of bills; when a bill is discounted the interest is at once debited to a customer's account and credited to Interest Account; on the other hand, the interest on loans is debited at the end of the quarter or half-year.

There is also Commission Account, which shows the amount debited to customer's account for various services rendered; for example, if a balance is not kept on Current Account, a certain charge is made to the customer for the privilege of keeping an account.

If this is not done a percentage is charged on the turnover, which is the amount of capital drawn from the Bank by means of cheques.

The interest derived from the investments of the Bank form another source of profit, and therefore the balance of this account is included in the Profit and Loss Account; the amount is somewhat large, because if a Bank has accumulated £1,000,000 from undivided profits, and invested the same in Consols, the annual income of £27,500 accrues from this investment. When a Bank is paying 20 per cent. per annum, we must not forget that part of this dividend is derived from the investment of the Reserve Fund.

On the debit side we get Salaries, which is the principal debtor account in the General Ledger; and, in addition, there is rent, taxes, stationery, forming part of the expenses of management.

Another item in the Profit and Loss Account is the Rebate of Discount on Bills; it has been already stated that when a bill is discounted for a customer the interest is at once debited; but supposing it was drawn on the 1st October at six months' date, and then discounted, the bill would not mature until the 4th April.

The Bank debits for six months' interest, but on the 31st December only three months is really earned, and, therefore, it forms a liability in the Balance Sheet.

This is called rebate, or the deduction from the amount received for the discount of bills; in many Banks it is not considered necessary to give the exact amount, and consequently a rough estimate is made; for example, if the Bank held £30,000 bills on the 31st December, maturing 4th April, the sum of £375 would be deducted if the rate of interest was 5 per cent.

From the gross profits it is usual to make due provision for Bad and Doubtful Debts; if a loan has been made, and there is the prob-

ability of a loss which cannot at the time of balancing be estimated, a certain sum is set aside to meet that loss.

In the same manner the Bank Premises Account is an asset which should stand at a low figure in the books, because no profit accrues from the same, although it would be necessary to pay rent if the premises were not the property of the Bank.

CHAPTER XIII.

BRANCH BOOK-KEEPING.

THE extension of the branch system of banking necessitates a perfect system of accounts between the head office and each branch.

The book-keeping is somewhat similar to that of the head office, with the exception that in the General Ledger there is an account opened called the Head Office Cash Account, and all transactions which are advised must be recorded. It is simply the Account Current of the merchant to his agent giving the details of an ordinary business transaction.

The relationship between the two offices is such that the head office is debtor to the branch for sums received, and creditor for sums paid.

Sometimes the credit and debit columns of the Ledger are in reverse order to the Pass Book, and this is the exact position between the Head Office and the branch. A copy of the Cash Account is sent daily with a letter of advice stating the principal banking operations.

The branch forwards also the cheques drawn upon London Banks and country cheques, the latter being paid through the Clearing House.

For example, a branch at Plymouth would send to London cheques drawn upon banks in Bristol, and the London Agents of such Banks would pay the cheques to the Head Office through the Clearing House; this method of procedure is of great importance, because it simplifies the book-keeping.

A statement is also sent showing what has taken place, and also the banking operations which the Head Office is required to carry out. On receipt of this statement the various entries, either debit or credit, are made in the Ledger Account entitled Plymouth Branch, and it is the duty of an official to check these entries and see that ultimately nothing is outstanding on the Branch Account.

The returns, whether they are daily, weekly, monthly or

quarterly, must be a complete record of all the important banking operations.

With regard to the book-keeping, the same set of books which we have already described must be used. For example, the Received and Paid Cash Books, the Waste Book, and Ledger would be identical in form with those used at the Head Office. With regard to the Day Book it must be kept in such a manner so that the heading of the accounts may correspond with those at the Central Establishment.

The following is a specimen of the Day Book :—

BRANCH DAY BOOK.

		£	s.	d.			£	s.	d.
	Balance last night . .	5,000	0	0	1	Cash Account . . .	1,000	0	0
1	Cash Account . . .	200	0	0	2	Current Accounts . .	500	0	0
2	Current Accounts—				3	Bills of Exchange on hand	200	0	0
	(1) Received for Customers	1,000	0	0	4	Promissory Notes on hand	100	0	0
	(2) „ „ Agents .	500	0	0	5	Salaries Account . .	50	0	0
3	Bills of Exchange Account	200	0	0	6	Rent and Taxes . .	20	0	0
4	Promissory Note Account	100	0	0	7	Incidental Expenses .	5	0	0
5	Deposit Accounts . .	300	0	0	8	Interest paid —			
6	Commission Account .	20	0	0		On Bills	30	0	0
7	Interest received—					„ Loans . . .	5	0	0
	On Bills	30	0	0		„ Miscellaneous . .	5	0	0
	„ Loans . . .	50	0	0		Balance . .	5,495	0	0
	„ Miscellaneous . .	5	0	0					
		7,405	0	0			7,405	0	0

The Cash Account shows the relationship between the branch and the Chief Office, and this account is similar to an ordinary one between a Bank and its client, the difference being only that the branch represents the customer. All remittances would be included in this account, as well as the payments which have been made.

For example, the Chief Office sends to the branch all cheques drawn upon it and paid through the Country Clearing. The Branch Account is debited, and such cheques would in the books of the branch be credited to the Chief Office Cash Account. It is customary to receive money at the Central Establishment for the credit of the branch, and when this is done the Branch Account is credited, and consequently Cash Account at the branch is debited.

We can at once see that the Cash Account is very similar to an ordinary Current Account, of which the Pass Book gives the necessary particulars of receipts and payments.

The following is a specimen of the Cash Account, showing the various entries:—

CHIEF OFFICE CASH ACCOUNT.

DR. FROM 11TH TO 18TH FEBRUARY, 1900. CR.

	£	s.	d.		£	s.	d.
To Balance at Chief Office .	10,000	0	0	By Country Cheques . .	2,000	0	0
,, Country Cheques . .	5,000	0	0	,, ,, ,, . . .	50	0	0
,, Account W. Brown, per Chief Office . .	200	0	0	,, Cheque unpaid on Luton Branch . . .	20	0	0
,, Account H. Smith, per Chief Office . .	100	0	0	,, Stationery . . .	5	0	0
,, Account E. Jones, per Luton Branch . .	50	0	0	,, Cambridge Branch Account, W. Jones .	30	0	0
,, Account C. Robinson, per Oxford Branch . .	20	0	0	,, Ely Branch, Cash .	100	0	0
,, Cheque, Aberdeen . .	10	0	0	,, Payments . . .	200	0	0
,, ,, Perth . .	10	0	0	,, Draft on Demand issued	50	0	0
,, ,, Dublin . .	5	0	0	,, Draft after Date issued	20	0	0
,, Remittance . . .	20	0	0	,, Coin	80	0	0
,, ,, . . .	20	0	0	,, Notes . . .	80	0	0
,, ,, Cambridge Branch . .	30	0	0	Balance . .	13,230	0	0
,, Remittance, Leighton Branch . .	100	0	0				
,, Coin	200	0	0				
,, Notes	100	0	0				
	15,865	0	0		15,865	0	0

The first entry shows the balance which the chief office is indebted to the branch, and then we have the amount of country cheques, which are sent for collection through the Clearing House.

The branch has been advised of various sums received at the chief office for the credit of its customers, and, consequently, the branch debits the central establishment with such amounts. Cheques payable in Scotland and Ireland are remitted direct, and on receipt of an advice that such cheques have been received, the branch debits the chief office; the Scotch and Irish Banks pay the chief office through their London Office.

The branch also remits cheques payable in London, and, if possible, forwards such remittances twice daily.

It sometimes happens that a large quantity of silver is received, in fact, more than can be used for daily requirements, and, consequently, it is transmitted to another branch where it is required; the last item on the debtor side is coin and notes remitted to the chief office for the branch's credit.

We have now to consider the credit side of the Cash Account, and find that cheques drawn on the branch appears as the first entry; if any of the cheques remitted to the chief office are unpaid, they are returned, and the branch is debited for the same.

The next entry is an impersonal one, *viz.*, stationery, and represents the amount charged by the chief office for sundry articles supplied.

Coin might be received, the name of the branch which sends it being given in the Cash Account.

We then have transfers on behalf of customers from one branch to another; for example, a customer E. at Branch F. transfers £500 to the account of C. at Branch D.

In order to minimise the risk of payments in notes and gold, it is customary to pay another Bank which presents cheques over the counter by means of an order on the chief office; these orders or payments are, in the case of clearing bankers, liquidated at the Clearing House, and these transactions are passed through the Cash Account.

The next entries refer to drafts on demand or after sight, which are drawn payable at the head office, and it is possible that they are not presented for payment for some time after their due date, consequently such entries remain outstanding.

The last item refers to coin and notes received from the chief office for daily use. The Cash Account illustrates the daily banking business that is carried on.

Cr. WEEKLY RETURN. Dr.

		£	s.	d.		£	s.	d.
Current Accounts .	Total	10,000	0	0	Cash with Chief Office .	8,000	0	0
Deposits	,,	500	0	0	Cash in hand . . .	800	0	0
Interest on Deposits .	,,	50	0	0	Bills Discounted. . .	200	0	0
Discount	,,	200	0	0	Promissory Notes . .	100	0	0
Commission . . .	,,	10	0	0	Loans.	1,000	0	0
Interest on Loans .	,,	300	0	0	Overdrafts	760	0	0
					Salaries	200	0	0
		11,060	0	0		11,060	0	0

The weekly return is more of the character of a Balance Sheet, because it shows the total amount owing on Current and Deposit Accounts, and also the amount due for interest on such accounts.

The total amount of interest received, *viz.*, on loans as well as by the discount on bills, is also stated.

On the debtor side of the account we have the total of the cash at the chief office, and also the amount held at the branch; the totals of bills discounted, promissory notes, loans, and overdrafts are stated separately, and finally the Debtor Accounts, such as salaries, rates and taxes are shown.

The weekly return is, in fact, a complete statement of the assets and liabilities as disclosed by the books of the branch.

It is important that the overdrafts should be carefully examined, and the chief office requires full particulars of such advances.

MONTHLY RETURN FROM BRANCH.

	£	s.	d.		£	s.	d.
Current Accounts . .	20,000	0	0	Cash with Chief Office .	50,000	0	0
Deposits	200	0	0	,, in hand . . .	2,000	0	0
Interest on Deposits .	50	0	0	Bills Discounted . .	1,000	0	0
				Promissory Notes . .	500	0	0
Total . .	20,250	0	0	Loans	3,000	0	0
				Overdrafts	1,000	0	0
Discount	100	0	0	Overdues	100	0	0
Commission . . .	50	0	0	Stamps (Cheque Books, etc.)	10	0	0
Interest	200	0	0				
				Expenses— £ s. d.			
				Repairs . . 10 0 0			
				Stationery . . 5 0 0			
				Salaries . . 100 0 0			
				Rent, Rates and Taxes . . 30 0 0			
				Interest paid . 20 0 0			
				Sundry Expenses 10 0 0			
Owing to Chief Office . .	37,185	0	0		175	0	0
Total . .	57,785	0	0	Total . .	57,785	0	0

	Number.
Current Accounts—Previous Return	1,000
Opened during Month	100
	1,100
Closed during Month	10
Balance	1,090

	£	s.	d.		£	s.	d.
Details of Sundry Expenses .	10	0	0	Cash in hand—			
				Gold	1,000	0	0
				Silver and Copper . .	200	0	0
				Bank of England Notes .	700	0	0
				Local Cheques . . .	100	0	0
Total . .	10	0	0	Total . .	2,000	0	0

Bills.	£	s.	d.	Promissory Notes.	£	s.	d.
Balance	5,000	0	0	Balance	2,000	0	0
Since Discounted . . .	1,000	0	0	Since Discounted . .	500	0	0
	6,000	0	0		2,500	0	0
Since Matured . . .	200	0	0	Since Matured . . .	300	0	0
Present Total . .	5,800	0	0	Present Total . .	2,200	0	0

OVERDRAFTS.

PARTICULARS OF THE SAME.

Wm. Evans, £500 Promissory Note.

LOANS.

PARTICULARS OF THE SAME.

F. Brown, £1,000 against the deposit of deeds.

DEPOSITS.

	£	s.	d.
Balance	2,000	0	0
Receipts Issued during Month . . .	500	0	0
	2,500	0	0
Receipts Cancelled during Month . .	200	0	0
Present Total	£2,300	0	0

OVERDUE BILLS.

PARTICULARS OF THE SAME.

Jones & Co., £500 due 1st January, 1900, not paid.

DIFFERENCES IN CASH.

PARTICULARS OF THE SAME.

Silver, £5 short.

I hereby certify that the above statement is correct.

J. EVANS,
Manager.

The monthly return is a complete record of the banking transactions which have taken place, and includes the balances of the various credit and debit accounts, similar to the weekly return.

The number of accounts opened and closed, with the balance outstanding, is shown, and we have also a statement of bills discounted, showing the amount discounted during the month, and paid during the same period; a similar return is given for promissory notes and overdrafts.

With regard to loans a detailed list is given to the chief office, so that it can be carefully examined; for example, if a loan of £50 is granted to B. at Branch C., the various monthly returns from other branches ought not to show any loans to B.; the statement must also give the amount received on Deposit Accounts, and the present balance.

If there are any overdue bills held, a return must be made of such documents, and the amount received in part payment during the month stated on the form.

The cash held by the branch is also given, with particulars as to the various amounts of notes, gold, silver and copper; a separate statement shows the deficiency, if any, in the cashier's accounts.

Finally, the particulars of the expenses incurred, such as rent, taxes, stationery and salaries, are shown.

By means of these returns the officials at the chief office can at once see the position of the branch, and whether the business is progressive; the profits of the branch can also be ascertained and compared with the corresponding period of the previous year.

The importance of full returns cannot be overestimated, and may be summarised as follows, *viz.* :—

(1) A debtor and creditor statement of the General Ledger balances at the date of making the return.

(2) An abstract of transactions, or a statement of daily entries on some of the most important accounts.

(3) An abstract of money lent and deposited; the former would include loans, discounts, advances on short bills and overdrafts, and the latter the Current and Deposit Accounts.

(4) A list of overdue bills, with particulars.

(5) A statement of interest received and paid.

(6) An abstract of the Expenses Account.

(7) A statement of debtor balances on Current Account, with particulars.

(8) A return of stamped forms of drafts, and also the number of

deposit receipts issued or cancelled during the week, and the balance on hand.

At the end of the quarter all the Impersonal Accounts in the General Ledger at the branch are closed by means of debit and credit entries, and the head office is either debited or credited with such amounts.

This is effected by means of a separate opening in the Day Book after the day's operations are recorded.

The closing entries are as follows :—

	£	s.	d.		£	s.	d
Head Office Cash Account—				Head Office Cash Account—			
Per Discount Account .	100	10	0	Rent and Taxes . .	100	0	0
Per Interest on Loans .	705	0	0	Expenses	50	0	0
Rent and Taxes, per Chief Office	100	0	0	Salaries Account . .	200	0	0
Expenses, per Chief Office	50	0	0	Interest on Deposits .	70	0	0
Salaries Account, per Chief Office	200	0	0	Discount Account, transferred to Chief Office .	100	10	0
Interest on Deposits, per Chief Office . . .	70	0	0	Interest on Loans, transferred to Chief Office .	705	0	0
	1,225	10	0		1,225	10	0

The above account shows that the branch has made a profit of £385 10s. on the quarter's transactions, but, in addition, the chief office may have a large balance on its account, which can be utilised at a profit, or employed at another branch where a greater demand for capital exists.

The branch system enables capital to be transferred to localities where the deposits are not sufficient to meet the demand for the loan of the same.

We have already stated that this system of banking would be somewhat dangerous if the chief office was unaware of the transactions at the branch, and, therefore, it is essential that returns should be in every way complete, so that an opinion can be formed as to the class of business being transacted.

The Pass Books in the possession of the branch are examined and compared with the entries in the Ledger, in order to see that they are correct.

When the various accounts are closed it is sometimes necessary to show the exact position of the Interest Account, as it is the most important of the Profit and Loss Accounts.

For example, the interest might not be debited half-yearly, and,

consequently, the account only shows what has been received or paid, no allowance being made for what is due to or from the Bank.

In order to exhibit a correct statement, an Adjusting Account of Interest is opened in the General Ledger, and interest due to the Bank is debited to this account and credited to Interest Account.

In the same manner interest due on Deposit Accounts and Rebate on Bills Discounted are credited to Adjusting Interest Account and debited to Interest Account.

The following half-yearly accounts from Hutchison's *Practice of Banking* show other forms, including the adjusting of interest :—

SHOWING CHARGES FOR THE HALF-YEAR.

Half-Yearly.

Amount received during the week on following Accounts:—	£	s	d.	£	s.	d.
Head Office—						
Amount at Credit of Interest Account transferred						
" " Commission Account transferred						
Bills of Exchange						
Returned Bills						
Current Accounts						
Amount of Interest Credited to Particular Accounts						
Deposit Receipts						
Interest Account						
Amount Charged on Current Account						
Amount set aside for Interest on Deposit Receipts as last transferred from Adjusting Account						
Total Amount of Interest paid for Half-Year						
Commission Account						
Amount Charged on Current Account						
Postage Charged on Current Account						
General Account of Charges						
Amount paid and transferred to Head Office						
Adjusting Account of Interest—Amount now due on Deposit Receipts						
Bad Debt Account						
Differences in Cash						
Total Amount received						

Amount paid during the Week ending on following Accounts:—	£	s.	d.	£	s.	d
Head Office—						
Amount at Debit of Interest Account transferred						
" " General Account of Charges transferred						
Bills of Exchange						
Returned Bills						
Current Accounts (Commission Chargeable on £)						
Amount of Interest Debited						
" Commission						
" Postage						
Deposit Receipts						
Interest Accounts						
Amount allowed on Current Accounts						
" now due on Deposit Receipts transferred to Adjusting Account						
Total Amount of Interest received during the Half-Year transferred to Head Office Cash Account						
Commission Account						
General Account of Charges						
Adjusting Account of Interest						
Amount due on Deposit Receipts transferred to Interest Account						
Bad Debt Account						
Differences in Cash						
Total Amount paid						
Balance of Cash in Hand—						
Book Notes						
Local						
Gold						
Silver						
Copper						

Certified by *Manager.*

Accountant.

ABSTRACT WEEKLY BALANCE.

Amount, Dr.			Balance, Dr.				Balance, Cr.			Amount, Cr.		
£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.
						Manchester and Liverpool Banking Company . .						
						Bills of Exchange . . .						
						Bills Returned . . .						
						Deposit Receipts . . .						
						Current Accounts . . .						
						Interest Account . . .						
						Commission Account . .						
						Stamped Drafts . . .						
						General Account of Charges .						
						Interest on Deposit Receipts .						
						Bad Debt Account . . .						
						Differences in Cash . .						
						General Account of Cash, Dr.						
						Balance of Cash in Hand .						

ABSTRACT OF CURRENT ACCOUNTS.

	£	s.	d.		£	s.	d.
Amount Lent on Accounts .				Amount Lodged on Accounts .			
Balance Due by the Bank .				Balance Due to the Bank .			

SUMMARY OF WEEKLY TRANSACTIONS.

	£	s.	d.		£	s.	d.
Amount received during week on following Accounts:—				Amount paid for the week on following Accounts :—			
Head Office—				Head Office—			
Bills of Exchange . .				Bills of Exchange . .			
Returned Bills . . .				Returned Bills . . .			
Current Accounts . .				Current Accounts (Commission chargeable on) .			
Deposit Receipts . .				Deposit Receipts . .			
Bad Debt Account . .				Bad Debt Account . .			
Interest Account . .				Interest Account . .			
Commission Account .				Commission Account .			
(Received on Advices) .				General Account of Charges			
,, Commission Account . . .				Differences in Cash . .			
Differences in Cash . .				Total Amount paid . .			

CLOSING ENTRIES OF GENERAL LEDGER.

	£	s.	d.		£	s.	d.
To close the following Accounts having Balances, Dr. :—				To close the following having Balances, Cr. :—			
Head Office—				Head Office—			
Bills of Exchange . .				Deposit Receipt . .			
Bad Debt Account . .				Current Accounts . .			
Differences in Cash . .				Adjusting Account of Interest			
General Account of Cash for Amount of Balances, Cr.				General Account of Cash for Amount of Balances, Dr.			

The Accounts in the General Ledger are to be re-opened by reversing the above entries, and the Opening Entries should be recorded in the Day Book.

ABSTRACT OF INTEREST ACCOUNT.

Paid.	£	s.	d.	Received.	£	s.	d.

COMMISSION ACCOUNT.

BALANCE OF GENERAL LEDGER.

CHAPTER XIV.

EXAMINATIONS IN BOOK-KEEPING.

CARE must be taken in making the necessary entries, because it is important that all accounts should be accurate, and, in order to obtain this result, the balances must agree. If any mistakes have been made, it is necessary to examine carefully the various entries.

Good figures are essential, and neatness should always be studied; an auditor's work is considerably lightened if books are kept methodical and perfectly clear. On opening Ledger Accounts, it is usual to write the headings large, in order to make them conspicuous.

No erasures are allowed, and in case of mistakes, the figures should be ruled out and the correct ones substituted.

When the principles of accounts are clearly understood, there ought to be little difficulty in answering questions on book-keeping.

The use of the three principal books of account, *viz.*, Journal, Cash Book and Ledger, must always be remembered, and when a series of entries have to be recorded, these books are to be used as much as possible. Every credit entry requires a corresponding debit entry, and it is essential that in posting from the Journal to the Ledger, *two* entries are required.

We have mentioned the three principal books, but of course the Ledger is the most important, because from it can be obtained the Balance Sheet and Profit and Loss Accounts. Subsidiary books are not always necessary, and the accounts of a small business could be kept with the following, *viz.* :—

Cash Book.
Day or Sold Book.
Invoice or Bought Book.
Journal.
Ledger.

The Journal should be utilised when possible, but in the case of many accounts it can be dispensed with.

Goods Account, in whatever form, represents an indebtedness to the merchant who has converted cash into another form, so that Goods Account would be Debtor to Cash.

With regard to Trading and Contract Accounts, all charges are debited, including cost of material, wages and expenses of management; if a contract is only partly executed, and the books require balancing, the amount already expended must be treated as an asset and consequently debited.

In balancing accounts the difference is stated on the side which shows the larger amount. For example:—

CASH ACCOUNT.

Dr.		£	s.	d.		Cr.	£	s.	d.
1900.					1900.				
Jan. 1	To Capital . .	100	0	0	Jan. 5	By Goods . .	20	0	0
	,, Goods . .	50	0	0		,, F. Evans .	10	0	0
	,, Jones & Co .	30	0	0		,, Balance. .	150	0	0
		180	0	0					
	Balance. .	150	0	0			180	0	0

It will be noticed that on balancing this account the difference is shown on the side which is deficient and carried down.

Specimen examination papers are given of the Society of Arts and Institute of Bankers, and, if carefully studied, little difficulty will be experienced in answering similar questions.

The Trading Accounts, Profit and Loss and Balance Sheet will be similar in all commercial transactions.

As a knowledge of book-keeping can be obtained by examination of the half-yearly reports of banks and trading companies, a series of Balance Sheets are appended.

SOCIETY OF ARTS EXAMINATION.

Black and White are partners on the following terms:—

(1) To receive 5 per cent. interest upon their respective Partnership Capital with yearly rests.

(2) To receive as Partnership Salaries: Black, £50 per month; White, £20 per month, and to withdraw no further sums pending ascertainment of profits.

(3) Depreciation of 10 per cent. to be written off Plant and Machinery as standing in the books at the end of the year.

(4) Provision at 5 per cent. (for doubtful debts) to be reserved upon all Book Debts excepting Bank Receipts.

(5) The net Profit or Loss to be shared thus: Black, two-thirds; White, one-third.

On 30th November, 1897, the following was the Trial Balance of the firm's books, which were kept upon the Double Entry System:—

	Dr. £	s.	d.	Cr. £	s.	d.
Black (Capital Account, Jan. 1, 1897)				4,200	0	0
White (,, ,, ,,)				1,500	0	0
Black (Drawings Account under Clause 2)	550	0	0			
White (,, ,, ,, ,,)	220	0	0			
Purchases	25,462	0	0			
Investments—						
Consols at Cost	1,230	0	0			
Dividends on Consols at Cost Received				30	0	0
Wages	3,841	0	0			
John Jones & Son	3,426	0	0			
Jas. Smith & Co.	7,139	0	0			
Wm. Owen	3,636	0	0			
Legal Expenses	14	0	0			
Cash in Hand	10	0	0			
,, at Bank	1,205	0	0			
Freehold Property	20,641	0	0			
Machinery and Plant	5,440	0	0			
Bills Payable				3,815	0	0
,, Receivable	502	0	0			
Manager's and Clerks' Salaries	945	0	0			
Office Expenses	108	0	0			
Discount Account	214	0	0			
Sales				48,561	0	0
Stock Account (Jan. 1, 1897)	3,842	0	0			
Roberts Bros.				8,243	0	0
Robinson & Co.				5,768	0	0
J. Green & Son				6,968	0	0
Rent, 11 Months	660	0	0			
	79,085	0	0	79,085	0	0

Open the accounts necessary to record the above particulars in the books, and post the undermentioned transactions for the month of December. The extent to which you use the Journal is at your own discretion:—

			£	s.	d.
Dec.	2	Purchased from Roberts Bros. on Credit . . .	7,841	0	0
„	8	Paid Rates	141	0	0
„	9	„ Robinson & Co. (after Deducting Discount, £12)	240	0	0
„	10	„ Bill, No. 48	100	0	0
„	11	Received from J. Smith & Co. (less Discount, £42) .	948	0	0
		Sold Wm. Owen & Co. (on Credit)	1,000	0	0
„	15	Purchased from J. Green & Sons (on Credit) . .	3,421	0	0
„	16	Bought Gas Engine from London Gas Engine Co. (on Credit)	350	0	0
„	17	Paid Wages	442	0	0
„	21	„ Taxes	21	0	0
„	24	„ Premiums on Fire Policy for Year Ending Dec. 25, 1898	105	0	0
„	30	Received for Sale of Consols	1,200	0	0
„	31	Paid Official Salaries	300	0	0
		„ Office Expenses	20	0	0
		„ Wages	440	0	0
		Sold Jas. Smith & Co. (on Credit)	1,049	0	0

All the above payments were made by cheque, and all amounts received were paid into the Bank upon receipt.

The Stock in Trade on 31st December, 1897, was certified by the partners as worth £3,400. The outstanding rent owing to Benjamin & Lewis for December (£60), and the partners' drawings for the same month (under Clause 2) must be provided for.

After making all adjustments provided for under the clauses of the Partnership Deed set out above, balance the books as on 31st December, 1897, and prepare a Trial Balance. Make closing entries raising a Trading and a Profit and Loss Account. Close this by dividing the net profits between the partners under Clause 5, and prepare the Balance Sheet.

TRADING ACCOUNT.

Dr. | | | | | | | | | | Cr.

Date		£	s.	d.	Date		£	s.	d.
1897. Dec. 1	To Stock Brought Forward	3,842	0	0	1897. Dec. 31	By Sales Account	50,610	0	0
" 31	" Depreciation	579	0	0		" Balance (Stock) Carried Down	3,400	0	0
	" Doubtful Debts	763	0	0					
	" Purchases Account	36,724	0	0					
	" Wages Account	4,723	0	0					
	" Legal Expenses Account	14	0	0					
	" Salaries Account	1,305	0	0					
	" Office Expenses Account	128	0	0					
	" Discounts Account	244	0	0					
	" Rent Account	720	0	0					
	" Trade "	164	0	0					
	" Profit and Loss Account	4,804	0	0					
		54,010	0	0			54,010	0	0
1898. Jan. 1	" Stock Balance	3,400	0	0					

PROFIT AND LOSS ACCOUNT.

Date			£	s.	d.	Date		£	s.	d.
1897. Dec. 31	To Investments Account		30	0	0	1897. Dec. 31	By Dividends Account	30	0	0
	" Interest Account		285	0	0		" Trading Account	4,804	0	0
	" Capital Account—									
	A. Black	£3,013								
	B. White	1,508								
			4,519	0	0					
			4,834	0	0			4,834	0	0

BALANCE SHEET OF BLACK & WHITE,

31st December, 1897.

Liabilities.		£	s.	d.	Assets.		£	s.	d.
Bills Payable		3,715	0	0	Cash in Hand	£10			
Roberts Bros.	£16,084				" at Bank	1,414			
Robinson & Co.	5,516						1,424	0	0
J. Green & Sons	10,389				Bills Receivable		502	0	0
London Gas Engine Co.	350				J. Jones & Son	£3,420			
Benjamin & Lewis	60				J. Smith & Co.	7,198			
		32,399	0	0	Wm. Owen	4,636			
						£15,260			
					Less Reserve for Doubtful Debts	763			
							14,497	0	0
Capital—					Insurance (unexpired)		103	0	0
A. Black	£6,823				Stock in Trade		3,400	0	0
B. White	2,841				Freehold Property		20,641	0	0
		9,664	0	0	Machinery and Plant		5,211	0	0
		45,778	0	0			45,778	0	0

JOURNAL.

Date	Particulars	Dr. £	s.	d.	Cr. £	s.	d.
1897.		£	s.	d.	£	s.	d.
Dec. 1	Purchases	25,462	0	0			
	Investments	1,230	0	0			
	Bank	1,205	0	0			
	Cash	10	0	0			
	Freehold Property	20,641	0	0			
	Machinery and Plant	5,440	0	0			
	Bills Receivable	502	0	0			
	Trading Account (Stock)	3,842	0	0			
	Black's Drawing Account . . .	550	0	0			
	White's ,, ,, . . .	220	0	0			
	Wages	3,841	0	0			
	J. Jones & Son	3,426	0	0			
	Jas. Smith & Co.	7,139	0	0			
	Wm. Owen	3,636	0	0			
	Legal Expenses	14	0	0			
	Manager's and Clerks' Salaries .	945	0	0			
	Office Expenses	108	0	0			
	Discounts	214	0	0			
	Rent	660	0	0			
	To Dividends (Consols)				30	0	0
	,, Bills Payable				3,815	0	0
	,, Sales				48,561	0	0
	,, Roberts Bros.				8,243	0	0
	,, Robinson & Co.				5,768	0	0
	,, J. Green & Son				6,968	0	0
	,, Black's Capital Account . .				4,200	0	0
	,, White's ,, ,, . .				1,500	0	0
,, 2	Purchases	79,085	0	0	79,085	0	0
	To Roberts Bros.	7,841	0	0	7,841	0	0
,, 8	Trade Expenses (Rates) . . .	141	0	0			
	To Bank				141	0	0
,, 9	Robinson & Co.	252	0	0			
	To Bank				240	0	0
	,, Discounts				12	0	0
,, 10	Bills Payable	100	0	0			
	To Bank				100	0	0
,, 11	Bank	948	0	0			
	Discounts	42	0	0			
	To J. Smith & Co.				990	0	0
	Wm. Owen	1,000	0	0			
	To Sales				1,000	0	0
	Carry forward	89,409	0	0	89,409	0	0

JOURNAL—(*continued.*)

		Dr. £	s.	d.	Cr. £	s.	d.
1897.	*Brought forward*	89,409	0	0	89,409	0	0
Dec. 15	Purchases	3,421	0	0			
	To Green & Sons				3,421	0	0
,, 16	Machinery and Plant . . .	350	0	0			
	To London Gas Engine Co. . .				350	0	0
,, 17	Wages	442	0	0			
	To Bank				442	0	0
	Trade Expenses (Taxes) . . .	21	0	0			
	To Bank				21	0	0
,, 24	Trade Expenses (Fire Premium) .	2	0	0			
	Suspense Account (Fire Insurance) .	103	0	0			
	To Bank				105	0	0
,, 30	Bank	1,200	0	0			
	To Investments (Consols) . .				1,200	0	0
,, 31	Manager's, etc., Salaries . . .	360	0	0			
	Office Expenses	20	0	0			
	Wages	440	0	0			
	To Bank				820	0	0
	Jas. Smith & Co.	1,049	0	0			
	To Sales . .				1,049	0	0
	Rent	60	0	0			
	To Benjamin Lewis . . .				60	0	0
	Black's Drawing Account . .	50	0	0			
	White's ,, . .	20	0	0			
	To Bank				70	0	0
	Interest	285	0	0			
	To Black's Drawing Account (5 per cent. on £4,200) . . .				210	0	0
	,, White's Drawing Account (5 per cent on £15,000) . . .				75	0	0
	Trading Account Depreciation (10 per cent. on £5,790) . .	579	0	0			
	To Machinery and Plant . .				579	0	0
	Trading Account (Reserve of 5 per cent. on £15,260) . . .	763	0	0			
	To Doubtful Debts . . .				763	0	0
		98,574	0	0	98,574	0	0

INSTITUTE OF BANKERS.

1896.

PRELIMINARY PAPER.

(1) Explain what is meant by book-keeping, by double entry, and give a concise history of the system.

(2) How may a set of books kept by single entry be converted into a double entry set?

(3) State which is the better system (double or single entry), and why?

(4) Give a list of the books which should be kept in a merchant's office, and explain their uses.

(5) Give a list of the principal books kept by a Bank, and explain their uses.

(6) Preface a Cash Account with twelve lines on each side and post them to Ledger Accounts, and draw up therefrom a Trial Balance.

(7) State whether there is any and what difference between a Trial Balance and a Balance Sheet.

FINAL PAPER.

(1) How can a trader who keeps his books by double entry ascertain the state of his affairs at the end of the year, and whether he has made a profit or loss on his business during the year?

(2) Can a trader keeping his books by single entry ascertain the results indicated by the preceding question, and will they be equally reliable?

(3) A merchant, A, imports goods in a Joint Account with B; the goods cost £5,000 which was paid by A; the freight and insurance cost £265, which B pays. The goods realised £6,175, which is received by B. Draw up an account showing the profit thereon, and the amount payable by B to A.

(4) Explain what is a Balance Sheet, and arrange the following items on their proper sides: Capital investments, overdrafts, premises, liabilities on current accounts, rebate of interest, profit and loss, drafts accepted for customers, deposits and deposit interest.

(5) A merchant sells goods to the extent of £549, and as the customer cannot pay when due, he accepts a bill at three months for

£560 from the customer, charging £11 for interest. Draw up the Journal entries necessary to record these transactions.

(6) Post the following items to their respective accounts, and draw up a Capital Account, Profit and Loss Account, and Balance Sheet as at 31st December, 1895 :—

A merchant's books showed his position on 31st December, 1894, to be as follows :—

		£	s.	d.
Cash at Bankers		1,756	14	0
Bills Receivable in Hand		3,250	0	0
Wool and other Produce in Hand	£45,200			
Less Advances thereon	39,000			
		6,200	0	0
Bills Payable falling due in 1895		7,500	0	0
Consignments to Australia		10,000	0	0
Bank of Australia—Amount due for Advances against Consignments		8,000	0	0
Sundry Creditors—Amount due them		3,500	0	0

During the year 1895 the merchant had the following transactions :—

	£	s.	d.
Goods purchased for Export	24,000	0	0
Freight paid thereon	2,760	0	0
Insurance paid on Goods	250	0	0
Proceeds of Sale of Goods exported as per Account Sales rendered by Agents	22,500	0	0
Exported Goods remaining in Hands of Agents, 31st December, 1895	5,700	0	0
Bills Receivable received from Agents in respect of Exported Goods sold	21,000	0	0
Bills Payable accepted against Goods purchased for Export	20,000	0	0
Cash Paid for Goods purchased for Export	1,500	0	0
Bills Payable paid at Maturity	24,000	0	0
Bills Receivable paid at Maturity during the year and placed by bankers to the credit of Banking Account	7,500	0	0
Bills Receivable discounted during the year £15,000, and proceeds less £450 Discount paid into Banking Account	14,550	0	0
Wool and other Produce sold during the year and proceeds in cash paid into Banking Account	50,000	0	0
Advances on ditto repaid	39,000	0	0
Interest paid on such advances	950	0	0
Consignments to Australia realised, and net proceeds received by merchant in cash and paid into Banking Account	9,350	0	0
Advances against Consignments repaid to Bank of Australia with interest thereon	8,400	0	0
Offices expenses, salaries and rent paid	2,350	0	0
Private drawings of merchant	1,500	0	0

BALANCE SHEET.

	£	s.	d.		£	s.	d.
B.P. . . .	3,500	0	0	B.R. . . .	1,750	0	0
Creditors . . .	6,000	0	0	Agent . . .	1,500	0	0
Capital . . .	1,896	14	10	Stock . . .	5,700	0	0
				Bank . . .	2,446	14	10
	11,396	14	10		11,396	14	10

Preliminary Paper.

May, 1899.

Definition and General Principles.

(1) Quote the well-known axiom embodying the fundamental principle governing book-keeping by double entry, and explain its working by six Journal entries.

(2) The following are generally recognised as being the three primary books of accounts :—

(*a*) The Cash Book.
(*b*) The Journal.
(*c*) The Ledger.

Explain the respective use of each of the above books.

(3) Name the four books in a manufacturer's business that are practically offshoots of the Journal, and so far as their functions go virtually replace it (the Journal), the postings being usually made direct from these four books to the Ledger.

(4) Ledger Accounts consist of two categories, one of which is again subdivided into two sets of accounts. Give the technical names for these various categories and sets of accounts, and explain their respective meaning.

(5) Give the generally accepted definition of capital from a Balance Sheet point of view.

(6) Supposing a trader to be solvent, on which side of the Balance Sheet should capital invariably be shown? In the same way if a Joint Stock Bank is prosperous and yielding revenue, on which side of the Balance Sheet should the balance of profit and loss unquestionably appear?

(7) Sketch on the most approved principles the ruling of a trader's

Cash Book (with discount columns), where all receipts are at once banked and all payments are met by cheque, filling in on each side six entries with figures, presumably a complete month's cash transactions, casting the totals (debit and credit) and showing the balance

(8) Explain the advantage of the discount columns in a trader's Cash Book, and show how the double entry system is made complete in respect of the same.

(9) In the case more particularly of charities and other kindred institutions, explain the fundamental difference between the "Annual Cash Statement of Receipts and Payments," and an Annual Income and Expenditure Account.

(10) My Cash Book at 31st December, 1898, shows to my credit at my banker's £1,576 19s. 4d., whereas the balance by my Pass Book stands at £2,016 18s. 10d.; show the reconciliation between the two. (*Note.*—There are two ways of showing this reconciliation; show them both, and state which in your opinion is the better one of the two, both forms being, indeed, correct.)

FINAL PAPER.

Double Entry, Elucidation and Explanation.

(1) The following are the assets and liabilities of Mr. John Jones at 31st December, 1898, when he took over the business of Messrs. Blank & Co. at the figures shown in their books, *viz.*:—

	£	s.	d.
Bills Payable	6,090	0	0
Cash at Bankers	1,675	0	0
Bank Overdraft	4,000	0	0
Investments	7,525	0	0
Bills Receivable	8,215	0	0
Stock	7,680	0	0
Creditors on Open Account	5,045	0	0
Freehold Premises (subject to £5,000 Mortgage)	8,000	0	0
Plant and Machinery	3,300	0	0
Reserve for Bad and Doubtful Debts	700	0	0
Goodwill	2,000	0	0
Creditors on Mortgage Account	5,000	0	0
Cash in Hand	100	0	0
Debtors on Open Account	6,340	0	0
	£65,670	0	0
Capital Account (fill in this Amount)			

Draw up the necessary Journal entry or entries, opening his books at the above date, and set them out here.

(2) Make out from the above figures a Balance Sheet (filling up therein the amount of capital embarked by Mr. Jones in the business), and in so doing remember that when he arranged with his bankers for the above overdraft of £4,000, he found it advisable to marshal his assets and liabilities in the order of ready realisation of the former, and priority of payment for the latter. You are requested now to do the same, setting out the various accounts (debit and credit) in such order.

(3) The bankers, Messrs. L. S. D., head their Pass Book

Dr. MESSRS. L. S. D. IN ACCOUNT WITH JOHN JONES, Esq. Cr.

			£	s.	d.				£	s.	d.

whereas his other bankers, Messrs. Bullion & Co., head their Pass Book

JOHN JONES, Esq., IN ACCOUNT WITH MESSRS. BULLION & CO.

			£	s.	d.				£	s.	d.

Show under each form how the above bankers respectively state the fact that at a given period the total of cash paid in by Mr. John Jones amounts to £1,752 10s. 6d., and of cash drawn out by him £697 11s. 4d., and at the same time state which form agrees with the order in which one of these bankers posts Mr. John Jones' account in their Bank Ledger, and which with that in which Mr. Jones enters up his own Cash Book.

(4) Give a sketch of a Petty Cash Book ruled in the columnar system with a sundries column, filling in appropriate headings for the other columns, and describe how this book may be made to form one of the principal books of account, both as regards transfers from the Cash Book and postings to the Ledger, showing the method of minimising such latter postings, and explain in this connection what is meant by the "Imprest System".

(5) The following is the Balance Sheet of a Limited Liability Company :—

THE XYZ CO., LIMITED, BALANCE SHEET, 31ST DECEMBER, 1898.

DR.	£	s.	d.		£	s.	d. CR.
To Capital Paid-up .	40,000	0	0	By Buildings at Dec. 31, 1895 . . .	17,000	0	0
„ Reserve . . .	1,500	0	0	„ Lease Purchased Feb. 1, 1891, cost	3,000	0	0
„ Creditors on Open Account, Bills Payable, Loans and Mortgages . .	55,400	0	0	„ Preliminary Expenses . . .	1,200	0	0
„ Profit and Loss Account Balance .	6,750	0	0	„ Patents Rights costing at Mar. 1, 1888 . . .	5,000	0	0
				„ Plant, Machinery, Furniture and Fixtures . .	15,700	0	0
				„ Cash and Bills Receivable . .	7,300	0	0
				„ Debtors . . .	28,600	0	0
				„ Stock . . .	25,850	0	0
	£103,650	0	0		£103,650	0	0

Criticise the above Balance Sheet under each of its respective headings.

(6) On 31st December, 1898, Mr. John Jones' Ledger balances consist of the figures set out below. You are requested to prepare a Trial Balance therefrom, classifying the accounts in due order, both as regards debts and credits.

	£	s.	d.
Bills Payable	8,125	0	0
Cash at Bank	2,510	0	0
Purchases	64,365	0	0
Sales	85,585	0	0
Stock at January 1, 1898	7,680	0	0
Plant and Machinery	3,900	0	0
Freehold Premises	8,000	0	0
Renewals and Repairs	515	0	0
Office Furniture	300	0	0
Wages	4,850	0	0
Salaries	1,650	0	0
Trade Charges	970	0	0
Reserve, for Bad and Doubtful Debts	320	0	0
Goodwill	2,000	0	0
Cash in Hand	150	0	0
Bills Receivable	7,600	0	0
Creditors on Open Account	8,260	0	0
Debtors on Open Account	9,680	0	0
Discount and Interest Balance to Credit	1,290	0	0
Fuel	1,235	0	0
Investments	5,175	0	0
Cash drawn out by Mr. John Jones in Drawing Account at the rate of £250 per month	3,000	0	0
Capital	20,000	0	0
	£247,160	0	0

(7) In connection with the above Trial Balances make the following transfers and closing entries through the Journal (setting out here such Journal entries) :—

(*a*) Enter stock at 31st December, 1898, at the figure of £9,720.

(*b*) Write of for depreciation the following amounts :—

	£	s.	d.	
From Plant and Machinery . . .	900	0	0	
„ Office Furniture	100	0	0	
„ Goodwill	500	0	0	
				£500 0 0

(*c*) Add £380 to Reserve for bad and doubtful debts, restoring the original figure, say £700.

(*d*) Credit Mr. John Jones in Drawing Account with £1,000, being one year's interest at 5 per cent. on his capital standing in the books at £20,000.

(8) Prepare from the figures in Questions 6 and 7 a Trading Account, a Profit and Loss Account, and a Balance Sheet at 31st December, 1898, transferring the balance of Profit and Loss Account to Mr. John Jones' Drawing Account, leaving his Capital Account of £20,000 untouched.

(9) Prepare the following Annual Accounts for a public institution :—

I. Cash Statement of Receipts and Payments (with six entries on each side).

II. (*a*) Income and Expenditure Accounts (with six entries on each side).

(*b*) Balance Sheet (with not less than two entries on the debit side, and with six entries on the credit side).

(10) Explain the system of balancing Debtors' and Creditors' Ledgers on the total system, and give an illustration of a Total Account of the debtors, as shown in the General or Private Ledger.

SPECIMEN OF BANKING ACCOUNTS.

Form 1.

STATEMENT OF LIABILITIES AND ASSETS

ON THE 31ST DECEMBER, 1899.

			£	s.	d.
LIABILITIES.					
Subscribed Capital (being 275,000 Shares of £50 each) . .			13,750,000	0	0
Capital Paid up, *viz.*, 275,000 Shares at £8 per Share		£2,200,000 0 0			
Reserved Fund (after addition from Profit, as below)		1,375,000 0 0	3,575,000	0	0
Debts owing to Sundry Persons by the Company:—					
On Bills or Notes accepted or endorsed			401,694	15	6
,, Current and other Accounts . .		£21,142,895 16 0			
,, Deposit Accounts at Notice . .		19,179,712 14 4	40,322,608	10	4
Liabilities in respect of Customers' Loans to Brokers, fully secured .		£426,500 0 0			
Profit (including £56,075 16s. 2d. brought forward from last Year) . . .		£586,949 17 10			
Less Interim Dividend for Half-year ending 30th June, at 17½ per cent. per annum		191,240 0 0			
Balance proposed to be appropriated as follows:—		£395,709 17 10			
In payment of Half-year's Dividend to 31st December at 20 per cent. per annum . . .	£220,000 0 0				
Added to Reserved Fund . . .	75,000 0 0				
Written off Bank Premises Account .	25,000 0 0				
Income Tax . .	17,041 6 8				
Carried forward to next Year . .	58,668 11 2				
		£395,709 17 10			
			44,299,308	5	10
ASSETS.					
Cash in Hand and with the Bank of England		£5,477,364 3 0			
Cash at Call and Short Notice . . .		3,074,411 3 2	8,551,775	6	2
Bills of Exchange		. . . . .	3,971,439	19	8
Consols and other British Government Securities		£4,963,486 17 6			
Indian and Colonial Government Securities, Corporation Stocks, English Railway Debenture and Preference Stocks, and other Investments .		3,976,667 6 11	8,940,154	4	5
Advances to Customers, Promissory Notes and other			21,463,369	10	3
Securities			21,530,464	14	3
Liabilities of Customers for Bills accepted or endorsed by the Company			401,694	15	6
Bank Premises and Furniture (after provision as above) .			903,774	5	10
			44,299,308	5	10

Form 2.

BALANCE SHEET, 30TH SEPTEMBER, 1900.

Dr.

		£	s.	d.
To Capital Subscribed and Fully Paid :—				
744,000 Ordinary Shares of £4 each . .	£2,976,000 0 0			
6,000 Deferred Shares of £4 each .	24,000 0 0			
750,000 Shares.		3,000,000	0	0
,, Reserve Fund		28,720	16	7
,, Amount due on Deposit, Current and other Accounts		926,167	0	10
,, Drafts issued by Head Office and Branches, outstanding at this date		8,094	18	8
,, Bills Receivable on account of Customers .		38,460	11	0
,, Profit and Loss Account, *viz.* :—				
Profit to 30th September, 1900 . . .	£177,223 11 7			
Less Interim Dividend of 2½ per cent. on Ordinary Shares, paid April, 1900 .	74,400 0 0			
		102,823	11	7
		4,104,266	18	8

Cr.

	£	s.	d.
By Cash in Hand, with Bankers and at Branches	278,142	15	2
,, Deposits with Bankers and Loans on Securities at Short Notice . . .	1,270,853	7	4
,, Consols (£100,000) and Indian Government Securities	116,750	0	0
,, Other Investments	1,741,952	18	9
,, Bills of Exchange Purchased and Current at this Date	30,191	10	1
,, Bills Discounted for and Advances to Customers	604,077	14	4
,, Bank Premises in Johannesburg . .	23,560	15	6
,, Bills for Collection	38,460	11	0
,, Stamps	277	6	6
	4,104,266	18	8

DR. PROFIT AND LOSS ACCOUNT, FOR THE YEAR ENDED 30TH SEPTEMBER, 1900. CR.

	£	s.	d.			£	s.	d.
To Charges, including Rent, Salaries, Taxes, Remuneration to Directors and all other Expenses at Head Office and Branches .	40,156	15	10	By Balance brought forward 1st October, 1899. . . .	£23,435 7 10			
,, Balance carried to Balance Sheet . .	177,223	11	7	*Less* Income Tax paid during the year .	5,245 6 3	18,190	1	7
				,, Gross Profits, after deducting Interest on Deposits, Rebate, and making full provision for all Bad and Doubtful Debts		199,190	5	10
	217,380	7	5			217,380	7	5

DR. APPROPRIATION. CR.

	£	s.	d.		£	s.	d.
To Interim Dividend, 2½ per cent. on Ordinary Shares, paid April, 1900, free of Income Tax	74,400	0	0	By Balance as per Profit and Loss Account .	177,223	11	7
,, Additional Dividend of 2½ per cent. on Ordinary Shares	74,400	0	0				
,, Balance carried forward to Profit and Loss New Account	28,423	11	7				
	177,223	11	7		177,223	11	7

DR. RESERVE FUND. CR.

	£	s.	d.		£	s.	d.
To Balance carried forward	28,720	16	7	By Balance, 30th September, 1899 . . .	28,720	16	7
	28,720	16	7		28,720	16	7

Form 3.

30TH SEPTEMBER, 1900.

DR.

LIABILITIES.				£	s.	d.
Notes in Circulation . .	£690,837	0	0			
Deposits and Accrued Interest	20,987,103	7	2			
				21,877,940	7	2
Bills Payable and other Liabilities (which include Reserves held for Doubtful Debts and Amount at Credit of Officers' Fidelity Guarantee and Provident Fund) . .				2,857,549	8	8
Paid-up Capital . . .	£2,000,000	0	0			
Reserve Fund . . .	1,250,000	0	0			
Profit and Loss . . .	133,928	14	1			
				3,383,928	14	1
				28,119,418	9	11
Contingent Liabilities—Outstanding Credits and Endorsements as per Contra				235,046	13	4
				28,354,465	3	3

CR.

ASSETS.				£	s.	d.
Coin, Bullion and Cash Balances . . .	£5,720,350	5	9			
Money at Short Call in London . . .	280,000	0	0			
Advances to Governments	435,000	0	0			
British and Colonial Government Securities	1,122,793	3	8			
Municipal and other Securities . . .	139,974	7	11			
Queensland Government Notes	133,679	0	0			
Notes of other Banks .	12,982	0	0			
Due by other Banks . .	98,163	7	2			
				7,942,942	4	6
Bills Receivable, Bills Discounted, and Remittances in Transit				3,998,330	7	8
Loans and Advances to Customers . . .				15,528,145	17	9
Bank Premises				650,000	0	0
				28,119,418	9	11
Liabilities of Customers and others on Letters of Credit and Drafts, as per Contra . .				235,046	13	4
				28,354,465	3	3

PROFIT AND LOSS, 30TH SEPTEMBER, 1900.

Dr.		£	s.	d.		Cr.	£	s.	d.
1900. Sept. 30.	To Rebate (at current rates) on Bills Discounted, not due at this date	7,185	12	8	1900. Mar. 31.	By Amount from last Account . .	26,280	6	8
	„ Dividend at the rate of 10 per cent. per annum . . .	100,000	0	0	Sept. 30.	„ Balance of Half-year's Profits after providing for Bad and Doubtful Debts, reducing the Valuation of Bank Premises, and including Recoveries from Debts previously written off as Bad	107,648	7	5
	„ Balance carried to "Profit and Loss," New Account . .	26,743	1	5					
		133,928	14	1			£133,928	14	1

RESERVE FUND, 30TH SEPTEMBER, 1900.

Dr.		£	s.	d.		Cr.	£	s.	d.
1900. Sept. 30.	To Balance . . . . . . (of which £600,000 is invested in British Government Securities, and the Balance is employed in the business of the Bank)	1,250,000	0	0	1900. Mar. 31	By Balance	1,250,000	0	0
		1,250,000	0	0			1,250,000	0	0
					Sept. 30	„ Balance	1,250,000	0	0

Form 4.

TRADING COMPANY.

BALANCE SHEET, YEAR ENDING 29TH DECEMBER, 1900.

LIABILITIES.	£	s.	d.
To Capital £150,000, whereof issued 149,997 Shares of £1 each	149,997	0	0
„ Debentures—			
700 at £100 each	70,000	0	0
„ Sundry Creditors	23,093	0	8
„ Reserve Fund	18,500	0	0
„ Net Revenue Account	25,028	3	5
	286,618	4	1

ASSETS.		£	s.	d.
Capital Expenditure—				
Buildings at Chief Dairy, Freehold and Leasehold Premises at Branches, and Goodwill		209,838	2	2
Sundry Debtors—				
Milk, Butter, etc.		15,400	14	10
Stock on Hand—				
Live and Dead Stock, Milk, Butter, etc.		34,986	19	5
Cash—				
At Bankers	£16,331 18 8			
In Hand	2,051 9 6	18,383	8	2
Investments—				
New Zealand Inscribed Stock	£3,327 11 0			
London and North-Western Debenture Stock	3,607 10 0			
Consolidated Stock	1,073 18 6	8,008	19	6
		286,618	4	1

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
To Rents, etc., Farms and Branches	5,052	1	6	By Gross Profit on Trading, Produce, etc.	86,821	5	3
,, Managing Director's Fee	1,000	0	0	,, Rents	1,899	19	6
,, Auditors' Fee	125	0	0	,, Interest and Transfer Fees	492	14	1
,, Wages and other Trade Expenses	60,315	13	2				
,, Balance, being Net Profit on the Year	22,721	4	2				
	89,213	18	10		89,213	18	10

NET REVENUE ACCOUNT.

	£	s.	d.		£	s.	d.
To Dividend paid 3rd February, 1900	8,999	16	6	By Balance from last Year	22,456	13	4
,, Directors' Fees	500	0	0				
,, Reserve Fund	1,500	0	0				
,, Balance Down	11,456	16	10				
	22,456	13	4		22,456	13	4

	£	s.	d.		£	s.	d.
To Interim Dividend at rate of 8 per cent. per annum, paid 4th August, 1900	5,999	17	7	By Balance Down	11,456	16	10
,, Interest on Debentures, 12 months ending 31st December, 1900	3,150	0	0	,, Profit and Loss Account, Net Profit for the Year	22,721	4	2
,, Balance available for Dividend, Directors' Fees, etc.	25,028	3	5				
	34.178	1	0		34,178	1	0

Form

TELEGRAPH

REVENUE ACCOUNT,

	£	s.	d.	£	s.	d.
To General Expenses in London	7,903	8	3			
,, General Expenses at Stations	61,558	14	11			
,, Electrician's Consulting Fee	50	0	0			
,, Use of Patents	275	0	0			
,, Directors' Remuneration	2,091	15	8			
,, Auditors' Fees	100	0	0			
,, Staff Endowment Assurance	552	17	1			
,, Staff Pension Fund	2,875	9	9			
,, Expenses in connection with Negotiations, etc.	1,491	19	0			
,, Expenses attending Maintenance of Cables (*See* Abstract C, page 135.)	28,260	16	6			
,, Maintenance Ships' Reserve Fund	3,500	0	0	108,660	1	2
,, Income Tax	5,630	7	8			
,, Interest and Sinking Fund on account of 5 per cent. Australian Subsidy Debentures	7,583	12	11			
,, Interest on 4 per cent. Mortgage Debenture Stock	6,400	0	0			
,, Removal of Head Office	5,000	0	0			
,, Donation towards Indian Famine Fund	500	0	0	25,114	0	7
				133,774	1	9
,, Balance				179,452	16	2
				313,226	17	11
,, First Interim Dividend of 1900, 2/6 per Share paid 14th July, 1900	31,250	0	0			
,, Second Interim Dividend of 1900, 2/6 per Share paid 15th October, 1900	31,250	0	0	62,500	0	0
,, Provision for Dividend on New Shares				120	0	0
,, Amount carried to General Reserve Fund				100,000	0	0
,, Balance carried forward				16,832	16	2
				179,452	16	2

5.

COMPANY.

HALF-YEAR ENDED 30TH JUNE, 1900. CR.

	£	s.	d.	£	s.	d.
By Message and other Receipts				304,225	6	4
,, Tasmanian Cable Subsidy	2,100	0	0			
,, Tonquin ,, ,, ...	4,595	5	7			
,, Visayas (Philippines) Cable Subsidy . .	2,250	0	0			
,, Transfer Fees	56	6	0			
				9,001	11	7
				313,226	17	11
,, Balance				179,452	16	2
				179,452	16	2

ABSTRACTS OF

ABSTRACT A.

STATEMENT OF GENERAL EXPENSES IN LONDON.

	£	s.	d.
Salaries	4,774	16	11
Wages	250	6	10
Office Expenses . .	1,064	8	1
Rent, Taxes, etc. . .	947	13	11
Stationery and Printing .	429	14	1
Postage, Bill and other Stamps . . .	174	0	8
Advertising . . .	90	7	0
Legal Expenses . .	80	16	10
Repairs and Renewals to Furniture, etc. . .	91	3	11
Per Revenue Account	7,903	8	3

ABSTRACT B.

STATEMENT OF GENERAL EXPENSES AT STATIONS.

	£	s.	d.
Salaries and Wages .	38,366	2	3
Travelling Expenses .	3,238	8	2
Rent, Taxes, House Allowances . . .	9,823	13	10
Expenses of Electric Lighting . . .	609	6	5
Provision and Ration Allowances . . .	860	10	9
Maintenance and Renewals of Instruments & Electrical Apparatus	1,060	17	2
Expenses of Land Lines	119	13	4
Repairs and Renewals of Furniture, Fittings, etc.	769	3	11
Repairs to Buildings .	1,655	6	8
Insurances . . .	477	12	3
Stationery and Printing .	1,633	7	8
Office & Message Postages	257	19	9
Office and Petty Expenses	763	19	11
Medical Attendance .	592	1	8
Service Messages . .	178	13	1
Expenses of Porthcurno School	250	0	0
Foreign Agencies . .	185	9	9
Advertising	3	13	0
Messengers' Uniforms .	112	3	2
Income Tax . . .	100	12	2
Guarantee of Staff and Bank Balances Abroad	500	0	0
Per Revenue Account	61,558	14	11

REVENUE ACCOUNT.

ABSTRACT C.

EXPENSES ATTENDING MAINTENANCE OF CABLES.

	£	s.	d.
Expenses of s.s. *Sherard Osborn*	4,188	18	4
,, ,, *Recorder*	7,596	9	2
Cable Expended on Repairs, and Sundry Expenses of Stations after Deducting Value of Picked up Cable	4,492	3	10
Insurance of Cable in Maintenance Ships and at Stations . .	1,861	7	10
Expenses of Cable Depôt at Singapore	4,202	9	9
Agreed Charge for Call of Great Northern Company's s.s. *Store Nordiske* and Charter for Repair of Cables in the China Seas	2,440	0	0
Depreciation of Cable Stores	3,479	7	7
Per Revenue Account . . .	28,260	16	6

BALANCE

DR.

	£	s.	d.	£	s.	d.
To Capital—						
250,000 Shares of £10 each . . .	2,500,000	0	0			
50,000 ,, ,, paid in respect thereof	95,166	0	0			
300,000				2,595,166	0	0
,, 5 per cent. Australian Subsidy Debentures—						
333 Debentures of £100 each, as per last Account				33,300	0	0
,, 4 per cent. Mortgage Debenture Stock .				320,000	0	0
				2,948,466	0	0
,, Premium received on Account of New Issue of Shares				17,679	0	0
,, Reserve Funds—						
General	1,065,772	4	11			
Maintenance Ships	116,960	18	2			
Insurance for Maintenance Ships and Cables	116,344	10	5			
Fire Insurances, Guarantees, etc.. .	83,312	14	0			
Depreciation of Buildings and Cable Depôt	21,900	19	10			
Removal of Head Offices . . .	15,000	0	0			
				1,419,291	7	4
,, Sinking Fund—Australian Subsidy Debentures				33,300	0	0
,, Traffic and other Credit Balances . .				37,374	17	6
,, Debenture Interest Accrued and Unpaid				5,148	6	8
,, Proprietors for Dividends—						
Unclaimed Dividends	1,362	1	6			
First Interim Dividend of 2/6 per Share, paid 14th July, 1900	31,250	0	0			
Second Interim Dividend of 2/6 per Share, paid 15th October, 1900 . .	31,250	0	0			
Provision for Dividend on New Shares	120	0	0			
				63,982	1	6
,, Revenue Account Balance (*see* page 132) .				16,832	16	2
				4,542,074	9	2

GENERAL RESERVE

DR.

	£	s.	d.
To Partial Renewal of Tasmania-Victoria Duplicate Cable .	13,239	5	7
,, Balance carried down	1,065,772	4	11
	1,079,011	10	6

SHEET.

CR.

	£	s.	d.	£	s.	d.
By Capital Expenditure—						
As per last Account	2,744,407	18	8			
Add Expenditure New Buildings, etc., *less* cost of house sold at Singapore	1,995	3	7			
				2,746,403	2	3
,, Expenditure to date on Cape-Australia Cable				125,137	1	10
,, Investments on Account of Reserve Funds				1,047,880	13	3
,, Trustees for 5 per cent. Australian Subsidy Debentures				33,300	0	0
,, Spare Cable and other Stores . . .				158,255	14	1
,, Traffic and other Debit Balances . .				90,994	9	1
,, Bills Receivable				39,000	0	0
,, Remittances in Transit				27,600	0	0
,, Cash at Bankers and in hand . . .				273,503	8	8
				4,542,074	9	2

FUND.

CR.

	£	s.	d.
By Balance at 31st December, 1899	967,581	9	2
,, Interest received during Half-year	11,430	1	4
,, Amount transferred from Revenue Account . . .	100,000	0	0
	1,079,011	10	6
,, Balance as per Balance Sheet	1,065,772	4	11

MINING COMPANY.

REVENUE ACCOUNT.

FROM 13TH FEBRUARY TO 15TH AUGUST, 1900.

	£	s.	d.	£	s.	d.
To *Mine and General Expenditure—*						
,, Wages	12,699	19	3			
,, Stores	1,265	8	5			
,, Firewood	1,129	5	1			
,, Timber	496	7	9			
,, Renewals and Repairs	120	4	9			
,, Crushings	11,854	6	0			
,, Coal and Charcoal	25	14	0			
,, Dividends	43,200	0	0			
,, Dividend Tax	2,160	0	0			
,, Secretary's Salary and Auditors'	114	10	0			
,, Directors' Fees	95	11	0			
,, Printing and Advertising	30	13	6			
,, Stationery, Postage and Stamps	46	12	9			
,, General Expenses	12	5	6			
,, Workmen—Insurance	142	2	0			
,, Shipment Charges, Cyanide Bullion	132	10	9			
,, ,, ,, Smelted Gold	19	0	0			
,, ,, ,, Slag	21	12	1			
,, Cyanide Treatment	6,510	0	0			
,, Cablegrams	23	12	5			
,, Reserve Fund	10,000	0	0			
				90,099	15	3

	£	s.	d.	£	s.	d.
By Proceeds of Sales of Gold	68,760	5	8			
,, ,, ,, Cyanide ,,	20,259	4	4			
,, Sale of Sand and Sludge	22	18	8			
,, Interest	32	19	3			
,, Workmen—Insurance	106	5	0			
				89,181	12	11
,, *London Office—*						
,, Exchange Deducted from Dividends	295	10	7			
,, Transfer Fees	154	15	0			
				450	5	7
,, *Mill and Works—*						
,, Crushings	11,746	16	0			
,, Treatment	6,510	0	0			
,, Workmen—Insurance	29	5	0			
				18,286	1	0
,, *Foundry—*						
,, Work done for Mill and Public, etc.	1,564	1	8			
				1,564	1	8
				109,482	1	2

REVENUE ACCOUNT (*continued*)—

		£	s.	d.	£	s.	d.
Brought forward					90,099	15	3
To *London Expenditure*—							
,, Secretary's Salary and Directors' Fees		131	5	0			
,, Stationery		106	2	6			
,, Postage and Cablegrams		44	0	6			
,, Stamps, Warrants, etc.		34	7	7			
,, Office Rent		17	10	0			
,, General Expenses		5	9	8			
					338	15	3
,, *Mill and Cyanide Works*—							
,, Wages	Mill	3,023	2	0			
,, Carting Quartz	,,	1,182	11	3			
,, Firewood	,,	1,853	3	8			
,, Renewals and Repairs	,,	2,263	5	0			
,, Salaries	,,	26	0	0			
,, Stores	,,	1,159	0	10			
,, Coal and Charcoal	,,	10	18	7			
,, General Expenses	,,	32	9	0			
,, Workmen — Insurance	,,	85	19	8			
,, Carting out of Pit	,,	809	12	11			
,, Wages—Cyanide	Works	799	12	6			
,, Emptying Vats	,,	391	0	0			
,, Carting to Hopper	,,	546	0	0			
,, Stores	,,	302	18	3			
,, Cyanide of Potassium	,,	2,160	0	8			
,, Coal and Coke	,,	123	11	8			
,, Lime	,,	63	16	1			
,, Royalties	,,	1,081	15	6			
,, Renewals and Repairs	,,	72	9	5			
,, Firewood	,,	132	17	5			
,, Storage and Cartage Sand	,,	59	0	0			
,, Zinc Discs	,,	94	3	6			
,, General Expenses	,,	39	9	6			
					16,312	17	5
					106,751	7	11

£	s.	d.	£	s.	d.

MINING COMPANY.

REVENUE ACCOUNT.

FROM 13TH FEBRUARY TO 15TH AUGUST, 1900—(*continued*).

	£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.
Brought forward				106,751	7	11							
To Foundry—													
,, Wages	409	2	2										
,, Stores and Materials	23	3	7										
,, Pig and Scrap Iron	570	12	5										
,, Coke, etc.	70	3	8										
,, General Expenses	0	6	0										
				1,073	7	10							
,, Balance as per Balance Sheet				1,657	5	5							
				109,482	1	2					109,482	1	2

LONDON OFFICE.

	£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.
To Balance				10,543	15	2	By Secretary and Directors' Fees	125	0	0			
,, Cyanide Bullion Shipped to London	20,259	4	4				,, Dividend on London Register allowed for out of Bullion Shipped	25,701	10	0			
,, 813 oz. 19 dwt. 23 grs. Smelted Gold Shipped to London	2,871	9	7				,, Stationery	106	2	6			
,, Exchange Deducted from Dividends	295	10	7				,, Postages and Cablegrams	44	0	6			
,, Capital Paid-up on 1,350 Shares	236	5	0				,, Stamps and Warrants	34	7	7			
,, Transfer Fees	154	15	0				,, Office Rent	17	10	0			
,, 81st Dividend of 1s. on 600 Shares London Register paid at Head Office	30	0	0				,, General Expenses	5	9	8			
											26,034	0	3
				23,847	4	6	,, Balance				8,356	19	5
				34,390	19	8					34,390	19	8

BALANCE SHEET.

	£	s.	d.	£	s.	d.
To Nominal Capital				72,000	0	0
,, Unclaimed Dividend				83	15	1
,, *Contract Deposit*—						
Mine	8	0	0			
Mill	20	0	0			
				28	0	0
,, Reserve Fund				10,000	0	0
,, *Revenue Account*—						
As per Balance Sheet, 13th February, 1900	27,605	11	0			
,, *Add* Balance, 15th August, 1900	1,657	5	5			
				29,262	16	5
,, Outstanding Accounts				303	6	8
				111,677	18	2

	£	s.	d.	£	s.	d.
By Uncalled Capital as per Balance, 13th February, 1900	6,727	17	6			
,, *Less* Shares Converted into Paid-up since	1,249	13	6			
				5,478	4	0
,, Property Account				36,000	0	0
,, *Plant, Machinery and Buildings*—						
Mine				13,106	13	7
Mill Balance, 13th February, 1900	27,680	13	10			
Additions for Half-year	239	3	6			
				27,919	17	4
Cyanide Works Balance, 13th February, 1900	6,897	19	0			
Additions for Half-year	1,160	4	9			
				8,058	3	9
Assay Plant				210	2	6
,, Branch Line				674	17	3
,, *Stock Account*—						
Mine	355	10	0			
Mill	1,061	12	6			
Cyanide Works	369	7	4			
Foundry	1,366	6	0			
				3,152	15	10
,, Outstanding Accounts due to February				210	13	6
,, Outstanding Account for Sand and Sludges				22	18	8
,, *Balance*—						
,, London Office Cr. including Bullion in Transit	8,356	19	5			
,, Mine Account Cr. Bank of Australasia	7,847	6	9			
,, Mill Account Cr. Bank of Australasia	607	16	8			
,, Manager's Petty Cash Cr.	40	0	0			
	16,852	2	10			
,, *Less* Foundry Account Dr. Balance	8	11	1	16,843	11	9
				111,677	18	2

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